



Matjhabeng Local Municipality
Annual Financial Statements

Matjhabeng Local Municipality

(Registration number FS 184)

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated on the demarcated map published for FS184.
Executive Mayor	TD Khalipha
Members of the Mayoral Committee	TD Khalipha - Executive Major HA Mokhomo - Finance M Buti - LED, SMME's Agriculture & Tourism MC Radebe - Human Settlement X Masina - Infrastructure ML Radebe - IDP, Performance & Evaluation KR Tlake - Community Services & Public Safety T Monjovo-Xaba - Special Programmes KV Moipatle - Sports, Arts & Culture S Moshoeu - Corporate Services and Good Governance S Ramalefane - Fleet Disaster & Service Delivery
Councillors	Refer to councilors' note for detail
Grading of local authority	Local High Capacity Municipality (Grade 5)
Chief Finance Officer (CFO)	TC Panyani
Accounting Officer (MM)	Adv. LMR Ngoqo
Registered office	Civic Centre 319 Stateway Welkom Free State 9460
Postal address	P O Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited
Attorneys	Full list available at the municipal offices in Welkom
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.matjhabeng.co.za

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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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.

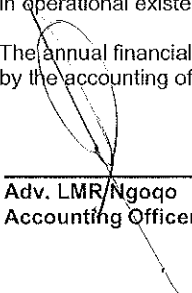
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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 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 error.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the 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.

The annual financial statements set out on page 4 to 92, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2023 and were signed on its behalf by:



Adv. LMR/Ngoqo
Accounting Officer

Matjhabeng Local Municipality

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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			
Cash and cash equivalents	3	125,689,425	198,250,543
Inventories	4	4,841,445	6,102,175
Other receivables	7	30,052,992	34,596,206
Receivables from non-exchange transactions	6	289,941,408	261,784,999
VAT receivable	8	968,241,561	920,598,594
Receivables from exchange transactions	5	1,122,194,190	1,004,765,994
		2,540,961,021	2,426,098,511
Non-Current Assets			
Investment property	10	2,072,608,999	1,955,032,015
Property, plant and equipment	11	3,877,490,369	3,955,939,108
Heritage assets	12	7,077,539	7,077,539
Other financial assets	9	474,015	415,803
Receivables from non-exchange transactions	6	6,656,453	6,559,477
Receivables from exchange transactions	5	3,024,690	5,338,280
		5,967,332,065	5,930,362,222
Total Assets		8,508,293,086	8,356,460,733
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	11,991,073,576	10,640,096,578
Consumer deposits	14	43,478,153	37,934,903
Employee benefit obligation	16	12,680,586	11,085,932
Unspent conditional grants and receipts	15	118,957,275	191,001,126
		12,166,189,590	10,880,118,539
Non-Current Liabilities			
Employee benefit obligation	16	429,455,009	458,133,543
Provisions	17	110,327,151	105,446,786
		539,782,160	563,580,329
Total Liabilities		12,705,971,750	11,443,698,868
Net Assets		(4,197,678,664)	(3,087,238,135)
Accumulated deficit		(4,197,678,664)	(3,087,238,135)
Total Net Assets		(4,197,678,664)	(3,087,238,135)

* See Note 44

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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	18	1,380,167,686	1,350,662,382
Rental of facilities and equipment	19	20,824,594	19,885,345
Commissions received	21	17,214,328	16,424,132
Other income	23	23,113,739	15,578,816
Interest received	24	410,560,083	275,029,590
Dividends received	24	40,753	33,570
Total revenue from exchange transactions		1,851,921,183	1,677,613,835
Revenue from non-exchange transactions			
Taxation revenue			
Availability charges	22	41,198,475	38,774,090
Property rates	25	410,716,551	443,993,025
Transfer revenue			
Government grants and subsidies	26	765,139,497	670,606,123
Public contributions and donations	27	4,217,105	44,551,882
Fines, penalties and forfeits	20	2,619,796	8,224,288
Total revenue from non-exchange transactions		1,223,891,424	1,206,149,408
Total revenue		3,075,812,607	2,883,763,243
Expenditure			
Employee related costs	28	(986,887,805)	(866,689,478)
Remuneration of councillors	29	(35,638,877)	(33,686,836)
Depreciation and amortisation	30	(230,684,529)	(230,005,217)
Finance costs	32	(334,355,678)	(173,475,381)
Debt impairment	33	(1,116,245,618)	(850,074,718)
Bulk purchases	34	(1,250,446,211)	(1,251,708,707)
Contracted services	35	(125,721,941)	(183,332,854)
General expenses	36	(289,509,905)	(481,673,539)
Repairs and maintenance	37	(13,709,294)	(64,987,557)
Total expenditure		(4,383,199,858)	(4,135,634,287)
Operating deficit		(1,307,387,251)	(1,251,871,044)
Loss on disposal of assets and liabilities		-	(36,645,149)
Fair value adjustments	38	117,635,196	109,770,456
Actuarial gains	16	99,108,346	18,683,622
Impairment loss	31	(25,035,938)	(6,726,159)
		191,707,604	85,082,770
Deficit for the year		(1,115,679,647)	(1,166,788,274)

* See Note 44

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Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Figures in Rand		
Balance at 1 July 2021	(1,929,853,822)	(1,929,853,822)
Changes in net assets		
Correction of errors - Note 44	9,403,961	9,403,961
Net income (losses) recognized directly in net assets	9,403,961	9,403,961
Surplus for the year	(1,166,788,274)	(1,166,788,274)
Total changes	(1,157,384,313)	(1,157,384,313)
Restated* Balance at 1 July 2022	(3,154,075,128)	(3,154,075,128)
Changes in net assets		
Other changes	72,076,111	72,076,111
Total changes	(1,043,603,536)	(1,043,603,536)
Balance at 30 June 2023	(4,197,678,664)	(4,197,678,664)

* See Note 44

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Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		972,705,200	1,087,544,187
Grants		793,095,646	670,606,123
Interest income		10,318,303	2,390,350
Other receipts		68,315,671	59,502,378
		1,844,434,820	1,820,043,038
Payments			
Employee costs		(1,006,342,784)	(825,229,576)
Suppliers		(726,124,169)	(728,486,732)
Finance costs		(605)	(18,922)
		(1,732,467,558)	(1,553,735,230)
Net cash flows from operating activities	52	111,967,262	266,307,808
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(184,569,133)	(124,892,042)
Other cash item		40,753	33,570
Net cash flows from investing activities		(184,528,380)	(124,858,472)
Net increase/(decrease) in cash and cash equivalents		(72,561,118)	141,449,336
Cash and cash equivalents at the beginning of the year		198,250,543	56,801,207
Cash and cash equivalents at the end of the year	3	125,689,425	198,250,543

The accounting policies on pages 15 to 35 and the notes on pages 36 to 92 form an integral part of the annual financial statements.

* See Note 44

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Final approved budget	Shifting of funds	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,723,844,116	-	1,723,844,116	1,380,167,686	(343,676,430)	Note 1
Rental of facilities and equipment	26,587,765	-	26,587,765	20,824,594	(5,763,171)	Note 2
Licenses and permits	205,198	-	205,198	-	(205,198)	Note 3
Commissions received	63,600,000	-	63,600,000	17,214,328	(46,385,672)	
Other income	512,608,264	-	512,608,264	23,113,739	(489,494,525)	
Interest received - trade and investment	247,353,322	-	247,353,322	410,560,083	163,206,761	Note 5
Dividends or similar distributions received	25,633	-	25,633	40,753	15,120	Note 6
Total revenue from exchange transactions	2,574,224,298	-	2,574,224,298	1,851,921,183	(722,303,115)	
Revenue from non-exchange						
Taxation revenue						
Property rates	440,185,484	-	440,185,484	410,716,551	(29,468,933)	
Surcharges and Taxes	-	-	-	41,198,475	41,198,475	
Transfer revenue						
Government grants & subsidies	636,814,000	-	636,814,000	765,139,497	128,325,497	Note 7
Public contributions and donations	-	-	-	4,217,105	4,217,105	Note 8
Fines, Penalties and Forfeits	26,683,060	-	26,683,060	2,619,796	(24,063,264)	Note 9
Total revenue from non-exchange transactions	1,103,682,544	-	1,103,682,544	1,223,891,424	120,208,880	
Total revenue	3,677,906,842	-	3,677,906,842	3,075,812,607	(602,094,235)	
Expenditure						
Employee related costs	(906,572,359)	-	(906,572,359)	(986,887,805)	(80,315,446)	
Remuneration of councilors	(39,971,641)	-	(39,971,641)	(35,638,877)	4,332,764	Note 10
Depreciation and amortization	(100,000,000)	(25,500,328)	(74,499,672)	(230,684,529)	(156,184,857)	Note 11
Finance costs	(109,578,924)	(31,119,000)	(78,459,924)	(334,355,678)	(255,895,754)	Note 13
Debt Impairment/ Irrecoverable debts written off	(544,010,123)	-	(544,010,123)	(1,116,245,618)	(572,235,495)	Note 14
Bulk purchases and inventory consumed	(1,463,080,375)	(8,771,312)	(1,454,309,063)	(1,250,446,211)	203,862,852	Note 15
Contracted Services	(211,541,513)	31,666,815	(243,208,328)	(125,721,941)	117,486,387	Note 16
General expenditure	-	-	-	(289,509,905)	(289,509,905)	Note 17
Repairs and maintenance	-	-	-	(13,709,294)	(13,709,294)	Note 18
Operational costs	(301,864,171)	26,494,000	(328,358,000)	-	328,358,000	Note 17
Transfers and subsidies	(827,754)	111,000	(939,000)	-	939,000	Note 17
Total expenditure	(3,676,619,106)	(7,118,825)	(3,670,328,113)	(4,383,199,858)	(712,871,748)	-
Operating deficit	460,982	(7,117,825)	7,578,490	(1,307,387,251)	(1,314,965,741)	
Fair value adjustments	-	-	-	117,635,196	117,635,196	Note 22
Actuarial gains/losses	-	-	-	99,108,346	99,108,346	Note 17
Impairment loss	-	-	-	(25,035,938)	(25,035,938)	Note 12
				191,707,604	191,707,604	
Deficit before taxation	460,982	7,117,508	7,578,490	(1,115,679,647)	(1,123,258,137)	
Actual Amount on comparable Basis as Presented in the Budget and Actual Comparative Statement						

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	182,486,073		182,486,073	4,841,445	(177,644,628)	Note 19
Other receivables	873,433,234		873,433,234	30,052,992	(843 374 251)	Note 17
Receivables from non-exchange transactions	-		-	289,941,408	289,941,408	Note 17
VAT receivable	-	-		968,241,561	968,241,561	Note 17
Consumer debtors	2,216,592,088		2,216,592,088	1,122,194,190	(1,094,397,898)	Note 20
Cash and cash equivalents	6,156,111,369	183,092,000	6,339,203,369	125,689,425	(6,213,513,944)	Note 21
	9,428,622,764	183,092,000	9,611,714,764	2,540,961,021	(7,070,747,752)	
Non-Current Assets						
Investment property	1,108,320,053	-	1,108,320,053	2,072,608,999	964,288,946	Note 22
Property, plant and equipment	2,749,317,644	103,859,184	2,853,176,828	3,877,490,369	1,024,313,541	Note 23
Heritage assets	-	-	-	7,077,539	7,077,539	Note 17
Other financial assets	322,828	-	322,828	474,015	151,187	Note 17
Receivables from non-exchange transactions (non-current)	-	-	-	6,656,453	6,656,453	Note 17
Receivables from exchange transactions (non-current)/ Long-term receivables	464,175	-	464,175	3,024,690	2,560,515	Note 17
Other non-current assets	7 531 000	-	7 531 000	-	7 531 000	Note 17
	3,865,955,310	103,859,184	3,969,814,884	5,967,332,065	1,997,517,18	
Total Assets	13,294,578,074	286,951,184	13,581,529,258	8,508,293,086	(5,073,236,172)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	12,455,046,000	115,946,000	12,570,991,517	11,991,073,575	(579,917,942)	
Consumer deposits	89,749,375	-	89,749,375	43,478,153	(46,271,222)	Note 24
Employee benefit obligation	-	-	-	12,680,586	12,680,586	Note 17
Unspent conditional grants and receipts	-	-	-	118,957,275	118,957,275	Note 17
Provisions	454,109,108	-	454,109,108	-	(454,109,108)	Note 17
	12,998,904,000	115,946,000	13,114,850,000	12,166,189,589	(948,660,411)	
Current Liabilities						
Employee benefit obligation	-	-	-	429,455,009	429,455,009	Note 17
Provisions	-	-	-	110,327,151	110,327,151	Note 17
	-	-	-	539,782,160	539,782,160	
Total liabilities	12,998,904,000	115,946,000	13,114,850,000	12,705,971,750	(408,878,251)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net assets						
Net assets attributable to owners of controlling entity						
Reserves						
Accumulated deficit	167,271,000	123,064,000	290,334,000	(4,197,678,663)	(4,488,012,663)	Note 17

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Final approved budget	Shifting of funds	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash flow statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	1,444,795,627	-	1,444,795,627	972,705,200	(472,090,427)	Note 1
Property rates	330,139,000	-	330,139,000	-	(330,139,000)	Note 17
Grants	803,624,000	115,946,000	919,570,000	793,095,646	(126,474,354)	Note 25
Interest income	4,594,504	-	4,594,504	10,318,303	5,723,799	Note 5
Dividends or similar distributions received	25,633	-	25,633	-	(25,633)	Note 6
Other receipts	443,004,911	-	443,004,911	68,315,671	(374,689,240)	Note 8
	3,026,183,675	115,946,000	3,142,129,675	1,844,434,820	(1,297,694,855)	
Payments						
Suppliers and employee costs	(2,341,102,914)	-	(2,341,102,914)	(1,732,466,953)	608,635,961	Note 17
Employee costs				(1,006,342,784)		
Suppliers				(726,124,169)		
Finance costs	-	-	-	(605)	(605)	Note 13
	(2,341,102,914)	-	(2,341,102,914)	(1,732,467,558)	608,635,356	
Net cash flows from operating activities	685,080,761	-	801,026,761	111,967,262	(689,059,499)	
Cash flows from investing activities						
Proceeds on disposal of property, plant and equipment	63,600,000	-	63,600,000	-	-	Note 17
Decrease (increase) in non-current receivables	464,000	-	-	-	-	Note 17
Decrease (increase) in non-current investments	323,000	-	-	-	-	Note 17
Purchase of investment property	(176,809,000)	172,005,000	(348,814,457)	(184,569,133)	(183,188,216)	Note 17
Other cash item	-	-	-	40,753	40,753	Note 17
Net cash flows from investing activities	(112,422,000)	172,005,000	(285,214,457)	(184,569,133)	(183,188,216)	
Cash flows from financing activities						
Increase in consumer deposits	179,499,000	-	179,499,000	-	-	Note 17
Net cash flows from financing activities	179,499,000	-	179,499,000	-	-	
Net increase/(decrease) in cash	752,157,761	(56,059,000)	695,311,304	(72,561,118)		
Cash and cash equivalents at the beginning of the year	-	-	-	198,250,543	198,250,543	Note 17
Cash and cash equivalents at the end of the year	752,157,761	(56,059,000)	695,311,761	125,689,425	(402,652,946)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Variance of above 10% between the budgeted amount and the actual are due to the following:

Note 1 – Increased measures actual readings instead of making use of estimates resulted in less service charges than budgeted for.

Note 2 – Financial constraints to the public resulted in less events that necessitated the rental of facilities and equipment than budgeted for.

Note 3 – Item not being part of the core mandate of the municipality resulted in it not budgeted for.

Note 4 – No asset sales, reduction in funerals as well as reduced disconnection fees owing to increased public awareness on the importance of paying municipal services resulted in less other income than budgeted for.

Note 5 – Increase in overdue customer accounts as well as the reduction of provisions estimate resulted in more income received than what was anticipated.

Note 6 – Positive financial results resulted in more dividends being distributed to the municipality than what was anticipated.

Note 7 – Effectively use of DORA allocations resulted in allocations being awarded to the municipality than what was budgeted for.

Note 8 – Unanticipated donations received resulted in a variation from the budget.

Note 9 – Decrease traffic officials' resulted in less traffic fines being issued than what was budgeted for. (Traffic officers positions are vacant.)

Note 10 - The application of upper limits thresholds resulted in less remuneration for councillors than what was budgeted for.

Note 11 – Increase in assets acquired during the year resulted in more depreciation than what was anticipated.

Note 12 – Increase vandalisms resulted in unanticipated impairment.

Note 13 – Financial constraints resulted in more finance costs being incurred than what was budgeted for.

Note 14 – Unfavourable economic factors resulted in the increase in debtors being unable to meet their obligations resulted in more debt impairment than what was anticipated.

Note 15 – Ageing infrastructure resulted in increased leaks owing to increased losses which resulted in more bulk purchases than what was anticipated.

Note 16 – Application of insourcing with the aim to decrease in reliance on external parties which resulted in less contracted services than what was budgeted for.

Note 17 – Misalignment of budgeted amounts on line items.

Note 18 – Ineffective budgeting resulted in the item not being appropriately budgeted for.

Note 19 - Repositioning of budget to other items resulted in less inventories than budgeted for.

Note 20 - Increase in debt being impaired resulted in less consumer debtors than what was anticipated

Note 21 - Project delays resulted in more cash and cash equivalents being held at year-end than anticipated.

Note 22 - Favourable market conditions resulted in an anticipated increase in the fair value.

Note 23 - Increase in asset base owing to additions resulted in a higher value of property, plant and equipment than

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Final approved budget	Shifting of funds	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

anticipated.

Note 24- Economic downturn resulted in fewer customers acquiring properties which necessitated deposits than what was budgeted for.

Note 25- Increase measures in project management resulted in consequences being implemented to non-performing contractors which resulted in project delays, thus increasing unspent conditional grants.

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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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

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1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment 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 judgments include:

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgments, 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 judgment 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 judgments include:

Other significant judgments, 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 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 judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated 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.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The municipality used the prime interest rate at year end to discount future cash flows.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption 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 of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Employee Benefits Obligation

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.

Provision for Impairment of Receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

1.5 Investment property

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

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

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.

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Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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, its 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.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Subsequent Measurement :

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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	2 - 50 years
Transport assets	Straight-line	4 - 15 years
Infrastructure	Straight-line	3 - 100 years
Other movable assets	Straight-line	2 - 20 years
Landfill rehabilitation assets	Straight-line	8 - 20 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. 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.

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Accounting Policies

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.8 Heritage assets

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

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 determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset, such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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.

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 liability is any liability that is a contractual obligation to:

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Accounting Policies

1.9 Financial instruments (continued)

- 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.

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

- 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

Other financial assets
Other receivables
Receivables from non-exchange transactions
Receivables from exchange transactions
Cash and cash equivalents

Category

Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
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

Payables from exchange transactions
Consumer deposits
Unspent conditional grants

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

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

The municipality 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 transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

All financial assets measured at amortised 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 municipality 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, an 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 municipality 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.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality 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

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.

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

If the municipality 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 recognises 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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.

Financial liabilities

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

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.

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Accounting Policies

1.9 Financial instruments (continued)

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).

1.10 Tax

Value Added Tax (VAT)

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

1.11 Inventories

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

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

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

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

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

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

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

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

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

1.12 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and deposits held at call with banks net of bank overdrafts.

1.13 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.

Identification

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

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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.

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

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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.15 Employee benefits

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

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

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

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or

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Accounting Policies

1.15 Employee benefits (continued)

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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1.15 Employee benefits (continued)

Other Long term employee benefits

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation.

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 deficit.

A Contingent Liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence and nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.17 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.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

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

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 .

Interest, royalties and dividends

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

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

Interest on outstanding customer receivables is calculated when the receivable is more than 30 days at prime rate plus 1% and recognised in surplus or deficit on the time proportionate basis.

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, 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.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

Recognition

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

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

Measurement

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

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

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

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

Fines, penalties and forfeits

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.

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1.19 Revenue from non-exchange transactions (continued)

Public contributions and donations

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment are brought into use.

Donations are recognised on a cash receipt basis or where the donation is in a form of property, plant and equipment, when such items of property, plant and equipment are available for use.

1.20 Investment income

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

1.21 Comparative figures

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

1.22 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.

1.23 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.

1.24 Irregular expenditure

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

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

1.25 Segment information

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

A measure of assets and liabilities for each reportable segment has not been disclosed due to the fact that such amounts are not regularly provided to management for decision making purposes.

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1.25 Segment information (continued)

Measurement

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

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

1.26 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 cash 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 budget for the economic entity includes all the entities approved budgets under its control.

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

1.27 Related parties

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

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

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

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

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

1.28 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

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1.29 Unspent Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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

Guideline on Accounting for Landfill Sites

The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making.

The municipality adopted the guideline for the first time in the 2022/23 annual financial statements. It is unlikely that the standard will have a material impact in the municipality's annual financial statements.

GRAP 25 (as revised): Employee Benefits and iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans.

The municipality adopted the guideline for the first time in the 2022/23 annual financial statements. It is unlikely that the standard will have a material impact in the municipality's annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

This interpretation explains the nature of past materiality decisions and their potential effects on current and subsequent reporting periods.

The municipality adopted the guideline for the first time in the 2022/23 annual financial statements. It is unlikely that the standard will have a material impact in the municipality's annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making.

The municipality adopted the guideline for the first time in the 2022/23 annual financial statements. It is unlikely that the standard will have a material impact in the municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply

The municipality adopted the guideline for the first time in the 2022/23 annual financial statements. It is unlikely that the standard will have a material impact in the municipality's annual financial statements.

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 1 July 2023 or later periods:

Guideline: Guideline on the Application of Materiality to Financial Statements

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2. New standards and interpretations (continued)

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
 - Loan commitments issued
 - Classification of financial assets
 - Amortised cost of financial assets
 - Impairment of financial assets
 - Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand and advances	9,474	9,474
Bank balances - cashbook	11,237,292	68,873,045
Short-term deposits	114,442,659	129,368,024
	125,689,425	198,250,543

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
3. Cash and cash equivalents (continued)		
ACB mag tape debit facility	2,000,000	2,000,000
Housing guarantee	20,000	20,000
Fleet card	1,000,000	1,000,000
Credit card facility	300,000	300,000

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents were pledged as collateral.

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
ABSA Primary cheque account Acc no (40-5370-5465)	12,760,185	4,865,806	4,233,609	11,592,498	68,692,434	19,154,571
ABSA Market cheque account Acc no (40-5644-3399)	805,560	806,773	5,800,206	(867,736)	(1,874,579)	(1,770,814)
ABSA Savings account Acc no (90-9461-7107)	1,003	129,314,396	39,401,000	1,000	129,314,396	39,401,000
ABSA Savings account Acc no (91-0668-4115)	114,431,283	49,119	2,506	114,431,283	49,118	2,506
ABSA Savings account Acc no (91-1114-1338)	1,165	1,122	1,113	1,077	1,125	1,112
ABSA Savings account Acc no (91-0668-4238)	1,310	1,262	1,251	1,214	1,266	1,254
ABSA Savings account Acc no (91-0668-4157)	1,102	1,062	1,052	1,018	1,064	1,052
ABSA Savings account Acc no (91-2351-5666)	1,102	1,062	1,052	1,018	1,064	1,052
Total	128,002,710	135,040,602	49,441,789	125,161,372	196,185,888	56,791,733

4. Inventories

Consumable stores	1,876,916	2,680,670
Water for distribution	2,964,529	3,421,505
	4,841,445	6,102,175

Inventories recognised as an expense during the year	9,367,733	4,163,548
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The line item was restated, refer to prior period error note 44 for more details on the error.

Inventory pledged as security

None of the inventory was pledged as security for any financial liability of the municipality.

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from exchange transactions		
Current		
Gross balances		
Electricity	538,544,768	469,164,376
Water	2,754,425,203	2,315,186,886
Sewerage	1,156,231,857	973,237,648
Refuse	727,465,199	615,640,797
Other receivables	5,576,594	5,599,289
Rentals	147,386,273	130,150,992
Sundries	174,007,300	154,411,557
Unmetered consumption - Electricity	95,498,086	97,936,315
Unmetered consumption - Water	64,428,051	52,818,434
Less: Non-current consumer receivables (arrangements)	(46,283,460)	(42,634,615)
	5,617,279,871	4,771,511,679
Less: Allowance for impairment		
Electricity	(373,075,236)	(315,496,702)
Water	(2,381,243,893)	(1,984,026,112)
Sewerage	(909,478,533)	(760,953,718)
Refuse	(592,504,452)	(491,542,188)
Rentals	(128,253,014)	(115,080,402)
Sundries	(149,053,875)	(132,240,248)
Other receivables	(4,735,448)	(4,702,650)
Less: Non-current consumer receivables (arrangements)	43,258,770	37,296,335
	(4,495,085,681)	(3,766,745,685)
Net balance		
Electricity	165,469,532	153,667,674
Water	373,181,310	331,160,774
Sewerage	246,753,324	212,283,930
Refuse	134,960,747	124,098,609
Rentals	19,133,259	15,070,590
Sundries	24,953,425	22,171,309
Other receivables	841,146	896,639
Unmetered consumption - Electricity	95,498,086	97,936,315
Unmetered consumption - Water	64,428,051	52,818,434
Less: Non-current consumer receivables (arrangements)	(3,024,690)	(5,338,280)
	1,122,194,190	1,004,765,994
Non-current		
Gross Balance		
Arrangements	46,283,460	42,634,615
Less: Allowance for impairment		
Arrangements	(43,258,770)	(37,296,335)
Net Balance	3,024,690	5,338,280
Total consumer debtors	1,122,194,190	1,004,765,994

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from exchange transactions (continued)		
Summary of debtors by service classification		
Unmetered consumption - Water		
Current (0 -30 days)	64,428,051	52,818,434
Electricity		
Current (0 -30 days)	51,817,850	51,194,663
31 - 60 days	19,287,565	16,439,572
61 - 90 days	15,060,748	13,428,895
91 + days	452,378,605	388,101,246
Less: Impairment	(373,075,236)	(315,496,702)
	165,469,532	153,667,674
Water		
Current (0 -30 days)	52,601,535	50,045,149
31 - 60 days	44,929,843	55,365,538
61 - 90 days	52,987,276	35,514,806
91 + days	2,603,906,548	2,174,261,393
Less: Impairment	(2,381,243,892)	(1,984,026,112)
	373,181,310	331,160,774
Unmetered consumption - Electricity		
Current (0 -30 days)	95,498,086	97,936,315
Sewerage		
Current (0 -30 days)	22,767,906	18,739,696
31 - 60 days	19,772,071	15,888,976
61 - 90 days	19,030,416	15,483,920
91 + days	1,094,661,464	923,125,055
Less: Impairment	(909,478,533)	(760,953,717)
	246,753,324	212,283,930
Refuse		
Current (0 -30 days)	13,857,923	11,338,207
31 - 60 days	11,899,557	9,481,646
61 - 90 days	11,437,613	9,209,252
91 + days	690,270,105	585,612,010
Less: Impairment	(592,504,451)	(491,542,506)
	134,960,747	124,098,609
Rentals		
Current (0 -30 days)	1,493,588	1,461,292
31 - 60 days	1,493,588	1,451,922
61 - 90 days	1,478,282	1,447,731
91 + days	142,920,815	127,362,230
Less: Impairment	(128,253,014)	(116,652,585)
	19,133,259	15,070,590

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from exchange transactions (continued)		
Sundries		
Current (0 -30 days)	2,465,242	1,906,044
31 - 60 days	2,457,101	1,358,153
61 - 90 days	1,905,729	1,598,612
91 + days	167,179,229	147,977,312
> 365 days	(149,053,876)	(130,668,812)
	24,953,425	22,171,309
Other		
Current (0 -30 days)	39,925	28,563
31 - 60 days	18,500	11,307
61 - 90 days	12,471	10,150
91 + days	5,505,715	5,549,269
Less: Impairment	(4,735,465)	(4,702,650)
	841,146	896,639

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	106,812,638	87,426,639
31 - 60 days	88,636,605	82,325,963
61 - 90 days	91,971,679	64,019,317
91 + days	4,782,896,355	3,694,041,308
	5,070,317,277	3,927,813,227
Less: Allowance for impairment	(4,354,660,643)	(3,096,417,168)
	715,656,634	831,396,059
Business, Industrial and Commercial		
Current (0 -30 days)	55,270,545	50,459,947
31 - 60 days	23,057,524	20,691,317
61 - 90 days	19,580,205	18,398,474
91 + days	968,638,295	705,004,107
	1,066,546,569	794,553,845
Less: Allowance for impairment	(679,933,565)	(498,213,239)
	386,613,004	296,340,606
Farms and agriculture		
Current (0 -30 days)	6,654,921	6,248,319
31 - 60 days	5,080,595	4,508,424
61 - 90 days	4,758,493	4,342,750
91 + days	185,838,002	136,252,129
	202,332,011	151,351,622
Less: Allowance for impairment	(154,054,639)	(119,424,644)
	48,277,372	31,926,978
Total		
Current (0 -30 days)	180,270,974	168,385,799
31 - 60 days	122,090,803	121,726,857
61 - 90 days	122,133,621	96,017,385
91 - 120 days	5,958,992,906	5,096,770,306
	6,383,488,304	5,482,900,347
Less: Allowance for impairment	(5,261,294,114)	(4,478,134,353)
	1,122,194,190	1,004,765,994
Less: Allowance for impairment		
Current (0 -30 days)	(4,495,085,681)	(3,766,745,685)

Receivables from exchange transactions pledged as security

No consumer debtors were pledged as security for overdraft facilities of the municipality.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from exchange transactions (continued)		
Receivables from exchange transactions past due but not impaired		
As at 30 June 2023, consumer receivables of R 18 230 276 (2022: R 22 173 107) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	15,152,793	18,490,435
2 months past due	3,077,483	2,950,763
3 months past due	-	731,909
Receivables from exchange transactions		
As of 30 June 2023, consumer debtors of R5 052 086 968 (2022: R 3 905 640 120) were impaired and provided for.		
The line item was restated, refer to prior period error note 44 for more details on the error.		
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(4,361,450,313)	(3,683,674,206)
Contributions to allowance	(1,116,245,618)	(894,299,456)
Debt impairment written off against the allowance	224,710,987	216,523,349
	(5,252,984,944)	(4,361,450,313)
6. Receivables from non-exchange transactions		
Consumer receivables - Rates	864,163,575	716,888,662
Availability charges - Electricity	52,807,549	44,219,049
Availability charges - Water	33,882,067	41,256,573
Allowance for impairment - Rates	(598,555,528)	(478,227,704)
Allowance for impairment - Availability charges - Electricity	(36,573,747)	(30,839,736)
Allowance for impairment - Availability charges - Water	(25,782,508)	(31,511,845)
	289,941,408	261,784,999
Non-current - receivables from non-exchange transactions		
Availability charges - Electricity	17,147,711	15,646,168
Availability charges - Water	5,912,946	7,742,318
Allowance for impairment: Availability charges - Electricity	(11,894,170)	(10,913,846)
Allowance for impairment: Availability charges - Water	(4,510,033)	(5,915,163)
	6,656,454	6,559,477
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	864,163,575	716,888,662
Less Allowance for impairment: Property rates	(598,555,528)	(478,227,704)
	265,608,047	238,660,958
Total receivables from non-exchange transactions	296,597,862	268,344,476

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Receivables from non-exchange transactions (continued)		
Statutory receivables general information		
Transaction(s) arising from statute		
Property Rates are levied in terms of the Local Government Municipal Property Rates Act No.6 of 2004 (MPRA), approved Property Rates Policy and by-laws.		
Determination of transaction amount		
Rates are levied in accordance with the Act (MPRA), abased on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.		
The municipality differentiates between various categories of property and owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.		
Interest or other charges levied/charged		
Interest accrues from 30 days on unpaid accounts. Interest is levied at a rate of prime rate plus 1%.		
Basis used to assess and test whether a statutory receivable is impaired		
The municipality assess whether statutory receivables are impaired at the end of every reporting date, in line with Grap 104.		
The following factors were considered in determining the impairment:		
- Aging of the outstanding debt.		
- Whether or not any payment was received during the year.		
- Whether the account is active or inactive.		
- Whether the account is that of an owner or a tenant		
Discount rate applied to the estimated future cash flows		
Statutory receivables past due but not impaired		
Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, - (2022: -) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Reconciliation of provision for impairment for statutory receivables		
Opening balance	(4,361,450,313)	(3,683,674,206)
Provision for impairment	(1,116,245,618)	(894,299,456)
Amounts written off as uncollectible	224,710,987	216,523,349
	(5,252,984,944)	(4,361,450,313)

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Matjhabeng Local Municipality

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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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6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2023, receivables from non-exchange transactions of R76 378 072 (2022: R72 792 389) were past due but not impaired.

Fair value of receivables from non-exchange transactions

The carrying value of the receivables from non-exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired:

As of 30 June 2023, receivables from non-exchange transactions of R 897 480 353 (2022: R799 834 408) were impaired and provided for.

7. Other receivables

Accrued interest	322,295	322,295
Deposits	225,850	225,850
Employee benefit receivable	180,000	-
Erf sales - Sanral	1,078,796	1,078,796
Maritz attorneys	16,513,652	16,513,652
Market sales	3,079,836	3,149,576
Market sales - sundries	28,017	6,183
Prepayments	1,131,732	1,131,732
Sundry receivables	57,527	57,527
Trade receivables - double payments	2,690,480	2,690,480
Traffic fines receivable	2,116,172	6,931,772
Welkom Market	2,628,635	2,488,343
	30,052,992	34,596,206

8. VAT receivable

VAT	968,241,561	920,598,594
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VAT is treated on the payment basis. VAT is paid over to SARS on a net basis only when actual payments are received by the municipality and when actual payments are made to suppliers. The balance above is inclusive of accruals and provisions, where applicable.

The line item was restated, refer to prior period error 44 for more details on the error.

9. Other financial assets

Designated at fair value

Unlisted shares	474,015	415,803
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The unlisted shares consist of 17,238 (2022: 17 238) equity shares at R15 each as at 30 June 2023 in Senwes Limited and 26,435 (2022: 26 435) equity shares at R 8.15 each in Senwesbel Limited.

Non-current assets

Designated at fair value	474,015	415,803
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Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
9. Other financial assets (continued)		
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 2		
Class 1 (Unlisted shares)	474,015	415,803

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,072,608,999	-	2,072,608,999	1,955,032,015	-	1,955,032,015

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Closing balance
Investment property	1,955,032,015	117,576,984	2,072,608,999

Reconciliation of investment property - 2022

	Opening balance	Additions	Transfers out	Fair value adjustments	Closing balance
Investment property	1,855,400,000	42,000,000	(52,138,441)	109,770,456	1,955,032,015

Fair value of investment properties	2,072,608,999	1,955,032,015
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Pledged as security

There are no contractual obligations on investment property.

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.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. Investment property (continued)		
The effective date of the revaluations was 30 June 2023. Fair value determinations were performed by UNIQUECO Properties Pty Ltd. Mr L Nel, who is a registered Professional Property Valuer with the South African Council for the Property Valuer's Profession (registration number 4464/2) and has the appropriate experience in performing valuations of investment properties, was the valuer used to perform the valuations. The valuation for the land portion was based on adapted comparable sales and on replacement costs for for the improvements. These assumptions are based on current market conditions.		
Maintenance of investment property		
The following maintenance costs were incurred:		
Preventative Maintenance incurred on		
Repairs and maintenance	-	140,937
Amounts recognised in surplus or deficit		
Rental revenue from investment property	20,824,594	19,885,345

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Transport assets	187,550,788	(52,408,143)	135,142,645	74,906,922	(38,256,397)	36,650,525
Infrastructure	8,959,518,106	5,514,025,765)	3,445,492,341	9,054,972,382	5,331,256,602)	3,723,715,780
Community assets	224,307,180	(72,481,289)	151,825,891	35,130,003	-	35,130,003
Other movable assets	61,538,408	(36,011,276)	25,527,132	50,534,925	(31,377,892)	19,157,033
Landfill rehabilitation assets	151,831,494	(98,476,051)	53,355,443	149,128,898	(91,354,552)	57,774,346
Land and buildings	128,120,297	(61,973,380)	66,146,917	148,813,724	(65,302,303)	83,511,421
Total	9,712,866,273	(5,835,375,904)	3,877,490,369	9,513,486,854	(5,557,547,746)	3,955,939,108

Matjhabeng Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers IN	Transfers OUT	Depreciation	Impairment loss	Closing balance
Transport assets	36,650,525	112,722,632	-	-	(14,124,581)	(105,931)	135,142,645
Infrastructure	3,723,715,780	84,510,911	209,786,855	(347,818,191)	(199,667,076)	(25,035,938)	3,445,492,341
Community assets	35,130,003	-	198,465,724	-	(81,769,836)	-	151,825,891
Other movable assets	19,157,033	11,736,753	-	-	(5,366,654)	-	25,527,132
Landfill rehabilitation assets	57,774,346	2,702,596	-	-	(7,121,499)	-	53,355,443
Land and buildings	83,511,421	-	-	(13,984,241)	(3,380,263)	-	66,146,917
	3,955,939,108	211,672,892	408,252,579	(361,802,432)	(311,429,909)	(25,141,869)	3,877,490,369

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers IN	Transfers OUT	Depreciation	Impairment loss	Closing balance
Transport assets	63,320,094	16,820,927	(36,645,149)	-	-	(6,845,347)	-	36,650,525
Infrastructure	3,815,049,554	89,248,115	-	105,472,594	(105,472,594)	(178,585,193)	(1,996,696)	3,723,715,780
Community	-	-	-	35,130,003	-	-	-	35,130,003
Other movable assets	14,952,772	8,631,501	-	-	-	(4,427,240)	-	19,157,033
Landfill rehabilitation assets	89,264,949	2,793,229	-	-	-	(34,283,832)	-	57,774,346
Land and buildings	73,032,990	6,034,097	-	10,880,000	-	(3,412,650)	(3,023,016)	83,511,421
	4,055,620,359	123,527,869	(36,645,149)	151,482,597	(105,472,594)	(227,554,262)	(5,019,712)	3,955,939,108

Pledged as security

None of these assets were pledged as security.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed was halted during the year		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Electrification of 900 houses in Rheederpark	16,466,910	16,466,910
Installation of zonal water meters	8,179,651	8,179,651
Klippan Pumpstation upgrade	7,165,129	7,165,129
Mmamahabane Taxi Rank	477,699	477,699
Nyakallong Construction of stormwaters	17,461,171	17,461,171
Nyakalong Taxi Rank	377,781	377,781
Replacement of Old Galvanized Steel Pipes with UPVC Pipes: Nyakallong/Allanridge	8,413,854	8,413,854
Roads and stormwater White City (Ward 4)	5,111,155	5,111,155
Thabong (Twenty Ten) Provision and Installation of 5 High Mast Light	1,743,410	1,743,410
Thabong Community Centre parking upgrade	220,493	220,493
Thabong Taxi Rank	2,588,469	2,588,469
Thabong Upgrading and Refurbishment of T8 Sewer Pump station	13,570,402	13,570,402
Upgrading of Kutlwano Outfall Sewer	22,458,201	22,458,201
Upgrading of seven electrical panels	167,058	167,058
Upgrading of the Urania 132KV 20MA Substation and 132kV Overhead Line	8,441,708	8,441,708
Welkom Landfill Site	18,110,918	18,110,918
Welkom Regional Taxi Rank	6,741,313	6,741,313
White Septic Tank Welkom	335,631	335,631
	138,030,953	138,030,953

These projects are still in design stage and have been halted by management awaiting capital budget.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Work in progress	445,740,354	8,434,676	2,938,708	457,113,738

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Other PPE	Total
Work in progress	579,450,974	2,938,708	582,389,682

2023

Transfers

Projects to the value of R209,76,855 were completed and transferred out of Capital work in progress into Infrastructure assets.

2022

Transfers

Projects to the value of R105 472 594 were completed and transferred out of Capital work in progress into Infrastructure assets

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Property, plant and equipment (continued)		
Repairs and maintenance per class of asset:		
Land and buildings	1,610,075	2,985,319
Infrastructure assets	4,737,798	12,324,077
Transport assets	344,034	9,123,994
Other movable assets	459,447	40,551,207
Landfill rehabilitation assets	6,557,941	848,174
	13,709,295	65,832,771

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

The line item was restated, refer to prior period error note 44 for more details on the error.

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	4,747,835	-	4,747,835	4,747,835	-	4,747,835
Mayoral chains	2,356,514	(26,810)	2,329,704	2,356,514	(26,810)	2,329,704
Total	7,104,349	(26,810)	7,077,539	7,104,349	(26,810)	7,077,539

Reconciliation of heritage assets 2023

	Opening balance	Closing balance
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,329,704	2,329,704
	7,077,539	7,077,539

Reconciliation of heritage assets 2022

	Opening balance	Impairment losses (recognised)/re versed directly in Net assets	Closing balance
Historical buildings	4,747,835	-	4,747,835
Mayoral chains	2,356,514	(26,810)	2,329,704
	7,104,349	(26,810)	7,077,539

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Figures in Rand	2023	2022
12. Heritage assets (continued)		
Pledged as security		
None of these assets were pledged as security.		
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.		
13. Payables from exchange transactions		
Accrued 13th cheque	21,147,755	11,130,173
Accrued leave pay	105,503,217	96,167,879
Bloem Water	5,436,424,698	4,897,035,157
Deferred income - pre paid electricity	3,700,000	3,700,000
Deposits received - halls and facilities	15,175	15,175
Eskom	5,630,675,806	4,763,669,846
Payments received in advanced from consumer receivables	300,265,223	187,739,462
Rental - Hostels and flats	2,858,273	2,858,273
Retentions	21,253,526	17,234,624
SALGA	16,649,657	13,281,100
Salary control account (3rd parties)	19,948,888	30,704,413
Trade payables	432,631,358	616,560,476
	11,991,073,576	10,640,096,578

The line item was restated, refer to prior period error note 44 for more details on the error

14. Consumer deposits

Electricity and water	42,223,988	36,911,286
Key deposits	1,254,165	1,023,617
	43,478,153	37,934,903

Guarantees held in lieu of electricity and water deposits amounted to R6 067 965 (2021: R6 067 965).

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

Deposits are paid by lessees on application for new rental properties of the municipality.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximates their fair values.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	33,778,639	111,349,918
Integrated National Electrification Programme (INEP)	1,297,525	-
Energy Efficiency and Demand side Management Grant (EEDG)	2,549	2,549
Municipal Water Services Infrastructure Grant (MWSIG)	16,906,474	12,502,659
Free State Department of Human Settlements	66,972,088	67,146,000
	118,957,275	191,001,126

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Figures in Rand	2023	2022
15. Unspent conditional grants and receipts (continued)		
The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 26 for reconciliation of grants from National/Provincial Government.		
16. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the post-employment medical aid benefit	(385,516,944)	(414,638,472)
Present value of the long service award benefit	(56,619,649)	(54,581,003)
	(442,136,593)	(469,219,475)
Non-current liabilities	(429,455,009)	(458,133,543)
Current liabilities	(12,680,586)	(11,085,932)
	(442,135,595)	(469,219,475)
The fair value of plan assets includes:		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	469,220,473	429,463,845
Net expense recognised in the statement of financial performance	(27,083,880)	39,756,628
	442,136,593	469,220,473
Net expense recognised in the statement of financial performance		
Current service cost	24,781,294	22,427,337
Interest cost	56,189,913	47,540,982
Actuarial gains	(99,108,346)	(18,683,622)
Expected benefits paid	(8,946,741)	(11,529,067)
	(27,083,880)	39,755,630
Calculation of actuarial gains and losses		
Actuarial (gains) / losses – Long service	(6,395,117)	2,299,626
Actuarial (gains) / losses – Medical aid	(92,713,229)	(18,844,250)
	(99,108,346)	(16,544,624)

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16. Employee benefit obligations (continued)

Changes in the fair value of plan assets are as follows:

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid is in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement; or

- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement.

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Discovery
- Key-Health
- LA Health
- Samwumed

Long Service benefits

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011) with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonuses are payable in the following scale:

Years of service completed	Percentage of annual salary as bonus	- Additional Leave days
> 5 Years	2%	- 5 days
> 10 Years	3%	- 10 days
> 15 Years	4%	- 15 days
> 20 Years	5%	- 15 days
> 24 - 45 Years	6%	- 15 days

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Figures in Rand	2023	2022
16. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
CPI (Medical aid)	7.71 %	7.30 %
CPI (Long service award)	5.38 %	6.76 %
Discount rate (Medical aid)	13.70 %	12.27 %
Discount rate (Long service award)	10.73 %	10.93 %
Medical aid inflation rate (Medical aid)	9.21 %	8.80 %
Net discount rate (Long service award)	4.09 %	2.94 %
Net discount rate (Medical aid)	4.11 %	3.19 %
Salary increase rate (Long service award)	6.38 %	7.76 %
Continuation percentage	100.00 %	100.00 %

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

Other assumptions

The effect of one percentage increase/decrease in the net discount rate is as follows for the 2023 financial year:

	One percentage point increase	One percentage point decrease
Employer's accrued liability (Long service awards)	59,928,716	53,594,909
Current service cost (Long service awards)	5,314,926	4,649,900
Interest cost (Long service awards)	6,243,079	5,563,462
Employer's accrued liability (Medical aid)	341,602,725	438,958,561
Current service cost (Medical aid)	21,027,236	28,141,700
Interest cost (Medical aid)	49,501,057	58,180,492

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

	2023	2022	2021	2020	2019
Defined benefit obligation	(442,136,593)	(469,220,473)	(429,463,845)	(390,465,049)	(448,090,553)

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councilors, who belong to different contribution plans which are administered by various pension funds, provident and annuity funds. These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans. The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal councilors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as a defined

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Contributions due to the following reasons

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16. Employee benefit obligations (continued)

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Notes to the Annual Financial Statements

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16. Employee benefit obligations (continued)

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers; - One set of financial statements is compiled for all the funds are not for each participating employer; and

- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

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The amount recognised as an expense for defined contribution plans is (27,083,880) 39,755,630

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

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17. Provisions				
Reconciliation of provisions - 2023				
	Opening Balance	Discounting	Movement due to change in net discount rate	Closing balance
Environmental rehabilitation	105,446,786	2,702,595	2,177,770	110,327,151
Reconciliation of provisions - 2022				
	Opening Balance	Unwinding	Movement due to change in net discount rate	Closing balance
Environmental rehabilitation	118,596,762	(15,943,205)	2,793,229	105,446,786
Rehabilitation of landfill sites				
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, 2002 (Act No 28 of 2002).				
Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.				
The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation cost for the waste disposal sites at the end of its useful lives.				
The municipality has five active landfill sites, as per the asset register:				
Landfill	Estimated remaining useful lives			
Allanridge	2 years (2022: 3 years)			
Henneman (Phomolong)	5 years (2022: 6 years)			
Odendaalsrus	17 years (2022: 18 years)			
Virginia (Transfer station)	5 years (2022: 6 years)			
Bronville (Welkom)	0 years (2022: 0 years)			
Restructuring provision				
A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.				
An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.				
The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.				
18. Service charges				
Refuse removal			133,978,559	123,831,678
Sale of electricity			630,621,168	663,255,438
Sale of water			489,322,723	428,366,052
Sewerage and sanitation charges			202,586,947	196,720,777
Less: Income foregone - indigents			(76,341,711)	(61,511,563)
			1,380,167,686	1,350,662,382

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Figures in Rand	2023	2022
19. Rental of facilities and equipment		
Premises		
Rental of living quarters	20,624,338	19,688,503
Facilities and equipment		
Rental of facilities	200,256	196,842
	20,824,594	19,885,345
The line item was restated, refer to prior period error note 44 for more details on the error.		
20. Fines, Penalties and Forfeits		
Traffic fines	2,619,796	8,224,288
21. Commission received		
Market agents	15,447,500	14,589,177
Policy administration fees	1,766,828	1,834,955
	17,214,328	16,424,132
22. Availability charges		
Electricity	35,341,113	33,547,819
Water	5,857,362	5,226,271
	41,198,475	38,774,090
23. Other income		
Application fees - land usage	4,771,045	1,124,931
Cemetery and burial	1,867,170	2,768,139
Clearance certificates	618,378	768,498
Connection fees	175,221	521,720
Disconnection fees	2,571,089	2,322,340
Fire services	6,228,435	1,977,134
Registration fees	279,450	-
Sundry income	2,783,093	5,742,019
Tender documents	1,808,903	354,035
Training	2,010,955	-
	23,113,739	15,578,816

The line item was restated, refer to prior period error note 44 for more details on the error

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Figures in Rand	2023	2022
24. Investment revenue		
Dividend revenue		
Unlisted shares - Local	40,753	33,570
Interest received		
Bank and investments	10,323,986	2,390,350
Interest charged on consumer receivables	400,236,097	256,696,034
Provisions	-	15,943,206
	410,560,083	275,029,590
	410,600,836	275,063,160

The line item was restated, refer to prior period error note 44 for more details on the error.

25. Property rates

Rates received

Commercial	152,774,668	144,580,189
Residential	178,159,464	170,857,254
Small holdings and farms	19,383,777	19,149,886
State	60,398,642	109,405,696
	410,716,551	443,993,025

Valuations

Residential	- 21,555,865,255
Commercial	- 5,096,270,000
State	- 4,251,842,120
Small holdings and farms	- 7,325,161,003
	- 38,229,138,378

Valuations on land and buildings are performed every four years in line with the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA). The last general valuation came into effect on 1 July 2021. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A firm was appointed perform the general valuation and the new valuation roll was implemented on 1 July 2021 for the financial period 2022 to 2027.

Rates are levied in accordance with the Act (MPRA), as an amount in the rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.

As allowed for in the Act (MPRA), the municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.

The first R75,000 of the valuation of residential property is exempted from property rates. Interest shall accrue 30 days from date of account on unpaid accounts. Interest is levied at a rate of prime plus 1%.

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Figures in Rand	2023	2022
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26. Government grants & subsidies

Operating grants

Equitable share	628,523,500	561,610,705
Expanded Public Works Program (EPWP)	5,191,000	2,964,000
Energy Efficiency and Demand side Management Grant (EEDG)	-	2,297,451
Finance Management Grant (FMG)	3,100,000	3,100,000
Sector Education and Training Authority (SETA)	1,721,058	1,370,430
	638,535,558	571,342,586

Capital grants

Integrated National Electrification Program Grant (INEP)	3,082,475	-
Municipal Infrastructure Grant (MIG)	114,627,938	84,263,537
Water Services Infrastructure Grant (WSIG)	8,893,526	15,000,000
	126,603,939	99,263,537
	765,139,497	670,606,123

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	136,615,997	108,995,417
Unconditional grants received	553,423,000	536,595,000
	690,038,997	645,590,417

Equitable Share

Current-year receipts as per Government Gazette	628,523,000	561,595,000
Transferred to revenue	(553,423,000)	(536,595,000)
Amount withheld from equitable share	(75,100,000)	(25,000,000)
	-	-

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	111,349,918	83,392,606
Current-year receipts as per Government Gazette	136,630,000	133,069,000
Grants forfeited	(36,976,000)	-
Conditions met - transferred to revenue	(114,627,938)	(84,263,536)
Offset the unspent grant against Equitable Share	(62,597,341)	(20,848,152)
	33,778,639	111,349,918

This grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

REPAYMENT ARRANGEMENT OF UNSPENT CONDITIONAL GRANTS

Matjhabeng Local Municipality and National Treasury reached repayment arrangement in terms of section 22(4) of the Division of Revenue Act, 2020 (Act No.4 of 2020) to repay the 2020/21 unspent conditional grants in instalments, starting from July 2022. This pertains to MIG and WSIG unspent conditional grants.

- July 2022: R25 million; and
- March 2023: R75.1 million.

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Figures in Rand	2023	2022
26. Government grants & subsidies (continued)		
Finance Management Grant (FMG)		
Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(3,100,000)	(3,100,000)
	-	-

The purpose of this grant is to promote and support reforms to financial management and the implementation of MFMA.

Integrated National Electrification Program (INEP)

Current-year receipts	4,380,000	-
Conditions met - transferred to revenue	(3,082,475)	-
	1,297,525	-

This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Expanded Public Works Programme (EPWP)

Current-year receipts	5,191,000	2,964,000
Conditions met - transferred to revenue	(5,191,000)	(2,964,000)
	-	-

The purpose of this grant is to subsidise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Energy Efficiency and Demand Side Management Program (EEDG)

Balance unspent at beginning of year	2,549	2,300,000
Conditions met - transferred to revenue	-	(2,297,451)
	2,549	2,549

The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	12,502,659	16,670,212
Current-year receipts	25,800,000	15,000,000
Conditions met - transferred to revenue	(8,893,527)	(15,000,000)
Offset the unspent grant against Equitable Share	(12,502,658)	(4,167,553)
	16,906,474	12,502,659

The purpose of this grant is to address water and sanitation challenges that occurred with the aging infrastructure.

REPAYMENT ARRANGEMENT OF UNSPENT CONDITIONAL GRANTS

Matjhabeng Local Municipality and National Treasury reached repayment arrangement in terms of section 22(4) of the Division of Revenue Act, 2020 (Act No.4 of 2020) to repay the 2020/21 unspent conditional grants in instalments, starting from July 2022. This pertains to MIG and WSIG unspent conditional grants.

- July 2022: R25 million; and
- March 2023: R75.1 million.

Sector Education and Training Authority (SETA)

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Figures in Rand	2023	2022
26. Government grants & subsidies (continued)		
Current-year receipts	1,721,058	1,370,429
Conditions met - transferred to revenue	(1,721,058)	(1,370,429)
	-	-

The purpose of this grant is to do skills development among employees and improve the auditing skills of the municipality. This is a Mandatory grant that only gets paid once the SETA required documents are submitted, therefore MLM met the conditions as the trances were paid for the current year.

Free State Provincial Department of Human Settlements

Balance unspent at beginning of year	67,146,000	67,146,000
Conditions met - transferred to revenue	(173,912)	-
	66,972,088	67,146,000

EXPEDITION OF TITLE DEED RESTORATION PROGRAMME IN THE FREE STATE

The transferred funds will be utilized solely and strictly for the purpose of resolving disputes amongst erf owners and rectification transfers as a result of implementing the dispute resolution outcome

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Public contributions and donations

Public contributions and donations	4,217,105	44,551,882
Current-year receipts	(4,217,105)	(44,551,882)
Public contributions and donations	4,217,105	44,551,882
	-	-

Property, plant and Equipment

The Municipality is a beneficiary of the ICT Truck from Harmony Gold Mine.

The Municipality is a beneficiary of a Tipper Truck and a Tractor Loader Backhoe from the Department of Forestry, Fisheries and the Environment

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28. Employee related costs		
Salaries	500,942,029	418,766,742
13th Cheque	44,447,259	32,387,964
Bargaining council levy	273,143	241,195
Employee benefit (medical aid)	35,692,346	32,955,005
Group life insurance	3,138,823	2,369,756
Housing allowances	4,508,626	4,055,177
Leave pay provision charge	19,178,987	8,538,171
Medical aid	58,319,582	47,492,176
Other allowances	22,682,627	30,537,605
Other long term employee benefits	56,189,913	47,541,960
Overtime payments	44,920,348	74,857,894
Pension	81,040,917	68,775,573
SDL	7,447,614	6,864,156
Shift allowance	28,852,484	20,536,044
Standby allowance	16,471,673	18,025,322
Transport allowance	58,483,096	48,747,892
UIF	4,298,338	3,996,846
	986,887,805	866,689,478

Directors Remuneration

30 June 2023	Basic Salary	Car and other allowances	Contributions to Medical and Pension Funds	Backpay / leave payout	Total
Tindleni ZK - Municipal Manager	424,669	44,000	100,681	478,693	1,048,043
Panyani TC - Acting Municipal Manager	90,006	38,612	17,086	-	145,704
Dr Adonis V - Acting Municipal Manager	127,521	-	177	-	127,698
Panyani TC - Chief Financial Officer	720,852	130,990	91,387	274,640	1,217,869
Williams L - Acting Chief Financial Officer	428,524	132,651	85,911	44,006	691,092
Makofane TB - Director Strategic Support Services	1,176,384	-	38,291	-	1,214,675
Thobela MB - Director Infrastructure	159,564	106,450	4,666	222,331	493,011
Mthombeni T - Acting Director Infrastructure	1,038,195	326,571	202,893	-	1,567,659
William Van Wyk LS - Director Community Services	803,379	185,759	235,657	16,344	1,241,139
Dr Ramphoma S - Director LED & Planning	946,724	320,211	172,217	19,457	1,458,609
Dr Adonis V - Director Corporate Services	1,252,967	-	113,666	21,955	1,388,588
Motheke MMG - Director Human Settlements and Planning	945,105	234,114	265,237	19,457	1,463,913
Mtirara N - Acting Director Strategic Support Services	122,240	25,460	13,629	-	161,329
	8,236,130	1,544,818	1,341,498	1,096,883	12,219,329

30 June 2022	Basic Allowances	Car and other allowances	Contributions to Medical and Pension Funds	Backpay/leave payout	Total
Tindleni ZK - Municipal Manager	1,274,640	132,000	299,284	200,766	1,906,690
Panyani TC - Chief Financial Officer	997,519	379,272	199,504	268,873	1,845,168
Makofane TB - Director Strategic Support Services	1,183,073	-	29,447	3,000	1,215,520
Olyn D - Acting Director Strategic Support Services	725,167	332,428	174,751	124,037	1,356,383
Thobela MB - Director Infrastructure	939,955	638,699	18,094	3,000	1,599,748
Williams Van Wyk LS - Director Community Services	808,110	180,000	200,528	3,000	1,191,638

Matjhabeng Local Municipality

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Figures in Rand			2023		2022
28. Employee related costs (continued)					
Dr Ramphoma S - Director LED & Planning	92,921	25,000	-	-	117,921
Pitso G - Acting Director LED & Planning	621,347	181,186	114,471	4,774	921,778
Vanga M - Acting Director LED and Planning	482,562	254,042	117,502	3,000	857,106
Dr Adonis V - Director Corporate Services	133,062	-	-	-	133,062
	7,258,356	2,122,627	1,153,581	610,450	11,145,014

The line item was restated, refer to prior period error note 44 for more details on the error.

29. Remuneration of councillors

Executive Mayor and Councillors	35,638,877	33,686,836
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In-kind benefits

The Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of separate Council owned vehicles for official duties, one full time driver and a bodyguard.

The Speaker has the use of separate Council owned vehicles for official duties and one part time driver.

Matjhabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022			
29. Remuneration of councillors (continued)					
Details of remuneration for the year ended 30 June 2023					
Name of councillor	Annual remuneration	Car allowance	Cellphone allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst HS	343,670	7,455	40,800	3,541	395,466
Badenhorst MJ	343,760	7,455	40,800	3,541	395,556
Botha GP	341,275	6,627	40,800	3,683	392,385
Botha PF	309,828	7,455	40,800	37,139	395,222
Buti MP	809,295	16,042	40,800	8,478	874,615
Chaka MS	828	2,485	-	42	3,355
Claasen Malherbe C	343,760	7,455	40,800	3,541	395,556
Danster MP	828	2,485	-	42	3,355
Du Plessis JM	343,760	7,455	40,800	3,541	395,556
Dyantyi A	343,760	7,455	40,800	3,541	395,556
Hanisi C	341,275	6,627	40,800	12,409	401,111
Helepi AB	332,635	6,627	40,800	12,323	392,385
Hess S	341,275	6,627	40,800	3,683	392,385
Jacobs EJ	343,760	7,455	40,800	3,541	395,556
Jama BL	343,760	7,455	40,800	3,541	395,556
Janse van Rensburg WH	341,275	6,627	40,800	3,683	392,385
Kalipa T	332,635	6,627	40,800	12,152	392,214
Khalipha TD	1,073,189	18,323	40,800	28,451	1,160,763
Khepeng MA	341,275	6,627	40,800	3,683	392,385
Khetsi LE	327,946	7,455	40,800	20,405	396,606
Khothule MJ	828	2,485	-	42	3,355
Lesenyehlo ML	769,062	13,742	40,800	48,809	872,413
Letlhake TW	316,766	7,455	40,800	30,340	395,361
Letsele Setlhabi SV	341,275	6,627	40,800	3,683	392,385
Liphoko SJ	1,679	5,038	-	85	6,802
Lushaba TB	1,963	5,889	-	85	7,937
Macingwane TM	828	2,485	-	42	3,355
Mafa DM	828	2,485	-	42	3,355
Mafaisa MG	828	2,485	-	42	3,355
Mahlaku ME	341,275	828	40,800	3,625	386,528
Mahlumba BH	1,063	3,189	-	51	4,303
Maile LJ	341,275	6,627	40,800	3,669	392,371
Maile PE	341,275	6,627	40,800	3,683	392,385
Makaliane CL	323,995	6,627	40,800	20,849	392,271
Manenye AJ	343,760	7,455	40,800	3,541	395,556
Manese SD	325,958	12,516	40,800	21,048	400,322
Marais JS	828	2,485	-	42	3,355
Maruping II	341,275	6,627	40,800	3,683	392,385
Masienyane MD	-	7,622	-	87	7,709
Masina XN	788,477	17,515	40,800	45,550	892,342
Mawela VE	1,963	5,889	-	85	7,937
Meli TS	828	2,485	-	42	3,355
Moalosi TE	341,275	6,627	40,800	3,683	392,385
Mohapi LA	325,030	5,591	40,800	20,790	392,211
Moipatle KV	792,559	26,928	40,800	25,860	886,147
Mokhomo HA	756,016	17,759	40,800	73,389	887,964
Mokhothu SM	341,275	6,627	40,800	3,683	392,385
Molefi M	308,172	9,112	40,800	37,143	395,227
Molelekoa PMI	828	2,485	-	42	3,355
Moloja NJ	828	2,485	-	42	3,355
Molula IP	323,995	6,627	40,800	20,963	392,385

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29. Remuneration of councillors (continued)					
Montoeli DB	341,275	6,627	40,800	3,569	392,271
Moopela RH	332,023	5,798	40,800	13,591	392,212
Morris VR	1,963	5,889	-	85	7,937
Moshoeu ZS	779,288	13,903	40,800	48,854	882,845
Mosia TJ	326,423	7,455	40,800	20,525	395,203
Motlatsi SH	341,275	6,627	40,800	3,683	392,385
Mphikeleli MA	333,371	8,366	40,800	13,769	396,306
Mphore IP	341,275	6,627	40,800	3,683	392,385
Mthebere NA	828	2,485	-	42	3,355
Nel J	341,275	6,627	40,800	3,683	392,385
Nkone NP	341,275	6,627	40,800	3,683	392,385
Nkonka BB	828	2,485	-	42	3,355
Nqeobo ME	343,760	7,455	40,800	3,541	395,556
Nthako TD	828	2,485	-	42	3,355
Nthuba TD	342,103	5,798	40,800	3,511	392,212
Ntoni KM	323,995	6,627	40,800	20,792	392,214
Ntsebeng MH	828	2,485	-	42	3,355
Ntuli BN	828	2,485	-	42	3,355
Olifant MA	-	828	-	19	847
Petersen SL	-	1,657	-	27	1,684
Phiri EP	341,275	6,627	40,800	3,683	392,385
Phofeli NM	828	2,485	-	42	3,355
Pholo SJ	828	2,485	-	42	3,355
Poo IP	828	2,485	-	42	3,355
Presente LN	343,760	7,455	40,800	3,541	395,556
Pretorius HS	341,896	6,005	40,800	3,511	392,212
Radebe MC	793,487	20,459	40,800	25,814	880,560
Radebe ML	766,077	20,459	40,800	52,339	879,675
Rakaki MM	828	2,485	-	42	3,355
Ramabodu BM	828	2,485	-	42	3,355
Ramalefane SJ	779,763	13,903	40,800	45,496	879,962
Ramatisa PT	325,030	8,905	40,800	20,823	395,558
Ramosie BS	1,243	4,556	-	66	5,865
Rantso MJ	341,275	828	40,800	3,625	386,528
Riet MI	1,112	3,336	-	64	4,512
Scheurkogel IS	341,275	6,627	40,800	3,683	392,385
Schoeman A	343,760	7,455	40,800	3,541	395,556
Seane LI	341,275	6,627	40,800	3,683	392,385
Seate MO	-	1,657	-	27	1,684
Sebotsa MM	-	2,485	-	42	2,527
Senoge MM	828	2,485	-	42	3,355
Setabela ML	-	828	-	19	847
Sithole MA	343,760	7,455	40,800	3,541	395,556
Sotenjwa V	323,995	6,627	40,800	20,792	392,214
Speelman NW	2,617	7,853	-	110	10,580
Steyn R	341,275	6,627	40,800	3,683	392,385
Stofile RB	847,537	20,938	40,800	26,552	935,827
Styger A	828	2,485	-	42	3,355
Taljaard SDM	326,480	7,455	40,800	20,821	395,556
Tau RD	341,275	6,627	40,800	3,683	392,385
Thelingoane NE	828	2,485	-	42	3,355
Thelingoane TJ	793,943	4,349	40,800	8,121	847,213
Tlake KR	791,524	17,883	40,800	25,762	875,969
Tsatsa SJ	828	2,485	-	42	3,355
Tshabangu SE	343,760	7,455	40,800	3,541	395,556
Tshokotshela NJ	828	2,485	-	42	3,355
Tshopo ME	1,963	5,889	-	85	7,937
Tsuinke SE	341,275	6,627	40,800	3,683	392,385
Twala MJ	341,275	6,627	40,800	3,683	392,385

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29. Remuneration of councillors (continued)					
Van Rooyen KV	1,963	5,889	-	85	7,937
Van Rooyen MS	343,760	7,455	40,800	3,541	395,556
Van Schalkwyk HCT	828	2,485	-	42	3,355
Xaba Monjovo NE	792,559	16,848	40,800	25,760	875,967
	30,918,534	769,730	2,937,600	1,012,767	35,638,631

Details of remuneration for the year ended 30 June 2022

Name of councillor	Annual remuneration	Car allowance	Cellphone allowance	Contributions to SDL, medical aid and pension funds	Total
Badenhorst MJ	248,501	82,834	40,800	3,352	375,487
Badenhorst HS	248,501	82,834	40,800	3,352	375,487
Botha PF	215,090	82,834	40,800	36,441	375,165
Botha GP	220,890	-	27,200	2,345	250,435
Buti MP	552,320	19,049	31,630	5,844	608,843
Chaka MS	83,019	29,427	14,494	6,870	133,810
Claasen Malherbe C	248,501	82,834	40,800	3,352	375,487
Danster MP	88,798	29,427	14,494	1,206	133,925
Du Plessis JM	248,501	82,834	40,800	3,352	375,487
Dyantyi A	241,277	82,834	40,800	10,431	375,342
Hanisi C	220,890	-	27,200	2,345	250,435
Helepi AB	200,182	-	27,200	2,345	229,727
Hess S	220,890	2,083	27,200	2,345	252,518
Jacobs EJ	238,388	82,834	40,800	13,263	375,285
Jama BL	241,277	82,834	40,800	10,431	375,342
Janse Van Rensburg WH	220,890	-	27,200	2,345	250,435
Khalipha TD	611,924	-	24,024	13,511	649,459
Kalipa T	220,890	-	27,200	2,345	250,435
Khepeng MA	220,890	-	27,200	2,345	250,435
Khetsi LE	231,164	82,834	40,800	20,222	375,020
Khothule MJ	83,019	29,427	14,494	6,870	133,810
Letlhake TW	232,637	82,834	40,800	19,071	375,342
Letsele Setlhabi SV	220,890	2,083	27,200	2,345	252,518
Liphoko SJ	156,742	56,553	14,494	13,702	241,491
Lushaba TB	204,686	69,740	14,494	8,505	297,425
Macingwane MT	83,019	29,427	14,494	6,870	133,810
Mafa DM	77,661	29,427	14,494	12,236	133,818
Mafaisa MG	77,661	29,427	14,494	12,236	133,818
Mahlaku ME	28,937	-	3,512	307	32,756
Mahlumba BH	101,183	37,764	14,494	14,159	167,600
Maile LJ	220,890	-	27,200	2,345	250,435
Maile PE	220,890	-	27,200	2,345	250,435
Makaliane CL	213,690	-	27,200	9,545	250,435
Manenye AJ	241,277	82,834	40,800	10,431	375,342
Manese SD	414,056	69,740	41,694	22,370	547,860
Maruping II	220,890	-	27,200	2,345	250,435
Marais JS	88,798	29,427	14,494	1,206	133,925
Masienyane MD	219,436	31,736	14,494	23,443	289,109
Masina XN	571,285	173,734	42,253	39,699	826,971
Mawela VE	191,392	69,740	14,495	21,534	297,161
Meli TS	77,661	29,427	14,495	12,236	133,819
Moalosi TE	213,690	-	27,200	2,345	243,235
Mohapi LA	180,616	34,514	27,200	8,036	250,366
Moipatle KV	542,661	35,195	41,359	30,022	649,237
Mokhomo HA	547,977	50,414	42,253	63,150	703,794

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Figures in Rand				2023	2022
29. Remuneration of councillors (continued)					
Mokhothu SM	220,890	-	27,200	2,345	250,435
Molefi M	266,459	27,611	40,800	40,327	375,197
Molelekoa PMI	83,019	29,427	14,494	6,870	133,810
Moloja NJ	77,661	29,427	14,494	12,236	133,818
Molula IP	212,250	-	27,200	10,985	250,435
Montoele DB	220,890	-	27,200	2,345	250,435
Moopela RH	184,639	27,611	27,200	10,930	250,380
Morris VR	204,686	69,740	14,494	8,505	297,425
Moshoeu ZS	444,505	136,245	41,359	29,826	651,935
Mosia TJ	231,164	82,834	40,800	20,342	375,140
Motlatsi SH	220,890	-	27,200	2,345	250,435
Mphikelele MA	277,185	86,084	41,694	12,929	417,892
Mphore IP	220,890	-	27,200	2,345	250,435
Mthebere NA	77,074	27,611	13,600	6,888	125,173
Nel J	220,890	-	27,200	2,345	250,435
Nkone GNP	220,890	-	27,200	2,345	250,435
Nkonka BB	77,661	29,427	14,494	12,236	133,818
Nqeobo ME	241,277	82,834	40,800	10,431	375,342
Nthako TD	83,019	29,427	14,494	6,870	133,810
Nthuba PV	193,279	27,611	27,200	2,290	250,380
Ntoni KM	220,890	-	27,200	9,545	257,635
Ntsebeng MH	77,661	29,427	14,494	12,236	133,818
Ntuli BN	83,019	29,427	14,494	6,870	133,810
Olifant MA	89,461	-	7,359	931	97,751
Petersen SL	55,223	-	6,800	586	62,609
Phiri EP	220,890	2,083	27,200	2,345	252,518
Phofeli NM	83,038	29,427	14,494	6,966	133,925
Pholo SJ	77,661	29,427	14,494	12,236	133,818
Poo IP	77,661	29,427	14,494	12,236	133,818
Presente LN	248,501	82,834	40,800	3,352	375,487
Pretorius HS	220,890	20,708	27,200	2,304	271,102
Radebe MC	660,511	69,740	42,253	48,647	821,151
Radebe ML	656,046	69,740	42,253	53,023	821,062
Rakaki MM	83,019	29,427	14,494	6,870	133,810
Ramabodu BM	88,798	29,427	14,494	1,206	133,925
Ramalefane SJ	440,041	138,512	41,359	29,781	649,693
Ramatisa PT	260,038	34,514	40,800	39,841	375,193
Ramosie BS	151,862	43,092	23,800	1,969	220,723
Rantso MJ	28,937	-	3,512	307	32,756
Riet MI	130,785	42,614	14,494	1,732	189,625
Scheurkogel IS	220,890	-	27,200	2,345	250,435
Sebotsa MM	77,661	29,427	14,494	12,236	133,818
Seane LI	220,890	-	27,200	2,345	250,435
Seate MO	28,937	-	3,735	308	32,980
Senoge MM	83,019	29,427	14,494	6,870	133,810
Setabela ML	482,824	7,378	27,759	13,693	531,654
Sibeko TS	113,869	13,806	15,724	1,328	144,727
Sithole AM	241,277	84,917	40,800	10,431	377,425
Sotenjwa V	212,250	2,083	27,200	10,985	252,518
Schoeman A	248,501	82,834	40,800	3,352	375,487
Speelman NW	280,595	92,987	14,494	3,633	391,709
Steyn R	220,890	-	27,200	2,345	250,435
Stofile RB	692,608	74,389	38,518	34,999	840,514
Styger A	88,798	29,427	14,494	1,206	133,925
Taljaard SDM	231,221	82,834	40,800	20,632	375,487
Tau RD	220,890	-	27,200	2,345	250,435
Thelingoane NE	77,661	29,427	14,494	12,236	133,818
Thelingoane TJ	475,657	47,843	40,800	12,486	576,786
Tlake KR	559,764	16,826	41,359	31,290	649,239

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Figures in Rand				2023	2022
29. Remuneration of councillors (continued)					
Tsatsa SJ	77,661	29,427	14,494	12,236	133,818
Tshabangu SE	248,501	82,834	40,800	3,352	375,487
Tshokotshela NJ	83,019	29,427	14,494	6,870	133,810
Tshopo ME	204,686	69,740	14,494	8,505	297,425
Tsunke SE	220,890	-	27,200	2,345	250,435
Twala MJ	220,890	-	27,200	2,345	250,435
Van Rooyen KV	210,446	69,740	14,494	2,745	297,425
Van Rooyen MS	248,501	82,834	40,800	3,352	375,487
Van Schalkvyk HCT	83,019	29,427	14,494	6,870	133,810
Xaba Monjovo NE	542,661	35,195	41,359	30,022	649,237
	25,307,053	4,246,879	2,976,154	1,217,820	33,747,906
30. Depreciation and amortisation					
Property, plant and equipment				230,684,529	230,005,217
The line item was restated, refer to prior period error note 44 for more details on the error.					
31. Impairment loss					
Impairments					
Property, plant and equipment				25,035,938	6,699,349
Heritage assets				-	26,810
				25,035,938	6,726,159
The main classes of assets affected by impairment losses are as follows:					
Infrastructure				25,035,938	1,996,335
Land and buildings				-	523,017
Heritage assets				-	26,810
				25,035,938	2,546,162
32. Finance costs					
Trade and other payables				332,177,303	173,456,459
Bank				605	18,922
Provisions				2,177,770	-
				334,355,678	173,475,381
33. Debt impairment					
Contributions to debt impairment provision				1,116,245,618	850,074,718
34. Bulk purchases					
Electricity				626,573,708	643,632,639
Water				623,872,503	608,076,068
				1,250,446,211	1,251,708,707

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Figures in Rand	2023	2022
34. Bulk purchases (continued)		
Electricity losses		
Units purchased (Kw/H)	376,168,220	437,362,652
Units sold (Kw/H)	(286,811,187)	(331,171,702)
Total loss	89,357,033	106,190,950
Rand value of loss:		
Non-technical losses	89,357,033	127,890,866
Percentage Loss:		
Non-technical losses	24 %	24 %
These losses are the result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non technical losses, e.g. theft and vandalism.		
Water losses		
Units purchased (KI)	41,473,651	48,469,518
Units sold (KI)	(22,903,626)	(21,814,540)
Total	18,570,025	26,654,978
Rand value of loss:		
Non-technical losses	239,831,884	323,991,257
Percentage Loss:		
Non-technical losses	45 %	55 %
These losses are predominantly due to metering inefficiencies, unmetered connections, aging pipeline infrastructure, burst pipes, old reticulation networks and other leakages which are by nature regarded as normal production losses.		
35. Contracted services		
Professional services	57,359,563	39,259,766
Outsourced services	501,822	50,048,321
Meter reading services	8,230,931	8,643,596
Legal services	14,653,436	32,054,870
Security services	39,520,016	53,326,301
	120,265,768	183,332,854
Contractors		
Bore Waterhole Drilling	5,456,173	-

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Figures in Rand	2023	2022
35. Contracted services (continued)		
Contracted services are mandated services in terms of the Local Government: Municipal Structures Act, Act 117 of 1998, a municipal by-law or the Integrated Development Plan (IDP) that the municipality is expected to have the capacity and expertise to deliver, but are being Outsourced instead.		
The line item was restated, refer to prior period error note 44 for more details on the error.		
36. General expenses		
Advertising	6,986,827	9,698,651
Assets expensed	5,347,249	4,074,726
Auditors remuneration	14,551,912	9,945,364
Bank charges	5,475,952	3,626,733
Cleaning	2,800,771	5,984,467
Commission paid	4,496,727	4,991,580
Community development and training	1,887,140	2,723,985
Consumables	27,670,075	33,014,050
Entertainment	167,793	353,801
Fines and penalties	6,069,200	10,463,136
Fuel and oil	38,323,884	29,197,726
Insurance	37,779,494	42,564,760
Medical expenses	-	19,217
Motor vehicle expenses	33,288,294	207,698,383
Postage and courier	1,324,764	5,790,929
Poverty relief	682,300	568,619
Royalties and license fees	13,327,473	16,972,217
Staff welfare	1,660,794	1,658,981
Subscriptions and membership fees	12,038,688	15,400,600
Telephone and fax	24,652,463	23,171,800
Training	60,274	520,486
Travel - local	10,072,981	3,803,119
Uniforms	27,196,756	20,576,797
Ward committee members' remuneration	4,254,000	2,414,000
Other expenses	9,394,094	25,118,821
	289,509,905	480,352,948

The line item was restated, refer to prior period error note 44 for more details on the error.

37. Repairs and maintenance

Repairs and maintenance	13,709,294	64,987,557
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The line item was restated, refer to prior period error note 44 for more details on the error.

38. Fair value adjustments

Investment property (Fair value model)	117,576,984	109,722,016
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	58,212	48,440
	117,635,196	109,770,456

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Figures in Rand	2023	2022			
39. Financial instruments disclosure					
Categories of financial instruments					
2023					
Financial assets					
	At fair value	At amortised cost	Total		
Cash and cash equivalents	-	125,689,425	125,689,425		
Other financial assets	474,015	-	474,015		
Other receivables	-	30,052,992	30,052,992		
Receivables from exchange transactions	-	1,125,218,880	1,125,218,880		
Receivables from non-exchange transactions	-	296,597,861	296,597,861		
	474,015	1,577,559,158	1,578,033,173		
Statutory receivables			At amortised cost	Total	
VAT receivable		968,241,561	968,241,561		
Financial liabilities			At amortised cost	Total	
Consumer deposits		43,478,153	43,478,153		
Trade and other payables from exchange transactions		11,991,073,576	11,991,073,576		
Unspent conditional grants and receipts		118,957,275	118,957,275		
		12,153,509,004	12,153,509,004		
2022					
Financial assets			At fair value	At amortised cost	Total
Cash and cash equivalents	-	198,250,543	198,250,543		
Other financial assets	415,803	-	415,803		
Other receivables	-	34,596,206	34,596,206		
Receivables from exchange transactions	-	1,010,104,274	1,010,104,274		
Receivables from non-exchange transactions	-	268,344,476	268,344,476		
	415,803	1,511,295,499	1,511,711,302		
Statutory receivables			At amortised cost	Total	
VAT receivable		920,598,594	920,598,594		
Financial liabilities			At amortised cost	Total	
Consumer deposits		37,934,903	37,934,903		
Trade and other payables from exchange transactions		10,640,096,578	10,640,096,578		
Unspent conditional grants and receipts		191,001,126	191,001,126		
		10,869,032,607	10,869,032,607		

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40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	189,451,753	180,694,374
Total capital commitments		
Already contracted for but not provided for	189,451,753	180,694,374

This committed expenditure relates to infrastructure projects and will be financed by funds internally generated and grants received.

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41. Contingencies				
Contingent liabilities				
Several claims are in the process against the municipality, a register containing all the detail is available at the municipal offices and the nature and amount of the different litigations are as follows:				
Nature of litigation	Possible Rand	Possible Rand	Number of	Number of
	value of claim	value of claim	litigations	litigations
	2023	2022	2023	2022
Application to compel	-	-	2	1
Civil litigations	140,698,974	11,900,000	3	4
Claims for services rendered	402,595,458	122,548,048	39	28
Conveyancing	-	350,000	-	3
Interdict application	-	-	3	2
Public liability claim	872,500	872,500	3	3
	544,166,932	135,670,548	50	41

Application to Compel - Maxiprof filed an Application to compel the Municipality inter alia, to provide financial and related documents to enable them to do a "Vat Audit" on behalf of the Municipality i.t.o the agreement between the parties and Royal Haskoningdhv (Pty) Ltd sought for a notice to compel the Municipality to provide evidence for findings.

Civil litigation - Summons were issued against Matjhabeng Local Municipality by various plaintiffs for outstanding rates & taxes, monies owed and compliances in terms of the Deed of Cession.

Claims for services rendered - Various summons have been issued against Matjhabeng Local Municipality by plaintiffs for services that they rendered for the Municipality, but did not receive payment for.

Interdict Application - Matjhabeng Local Municipality has been included as a respondent in matters where privately owned property was illegally occupied, plaintiffs obtained prevention interdicts to stop Matjhabeng from disconnecting water and electricity as well as interdict applications against Union Strikes.

Public liability claim - These are claims that are made for injuries sustained as a result of accidents that occur on property that is open or accessible to the public. The claims briefly relate to the following:
Plaintiff alleged that she slipped and fell on a spinach leave outside Welkom Mini Market and Matjhabeng Local Municipality is responsible for removing rubble and keeping the premises neat and clean, damage to public vehicles due to potholes and a plaintiff suffered damages due to Matjhabeng Local Municipality's irresponsible actions.

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41. Contingencies (continued)

Contingent assets

Several claims are in the process on behalf of the municipality, a register containing all the detail is available at the municipal offices and the nature and amount of the different litigations are as follows:

Claims for services rendered - Relating to various claims from third parties for services rendered, such as providing water and electricity, property rates etc.

Conveyancing - Disputes and Title Deed reversals concerning numerous erf's in and around Matjhabeng Local Municipality

Eviction Notice - Notices to vacate illegal occupiers of land through section 4(2) of the Land Act 19 of 1998.

Interdict Application - Interdict Applications were sought against illegal occupants occupying municipal property.

Setting aside of unlawful appointments - Setting aside of appointments made irregularly.

Nature of litigations	Possible Rand value of claim 2023	Possible Rand value of claim 2022	Number of litigations 2023	Number of litigations 2022
Claims for services rendered	2,999,792	2,999,792	2	2
Conveyancing	-	-	3	3
Eviction notice	-	-	6	5
Interdict application	-	-	-	1
Setting aside of unlawful appointments	-	-	1	1
	2,999,792	2,999,792	12	12

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42. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

Liquidity risk

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
Non-derivative financial liabilities				
Payables from exchange transactions	11,991,073,576	-	-	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Payables from exchange transactions	10,640,096,578	-	-	-

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
Other financial assets	474,015	415,803
Other receivables	30,052,992	34,596,206
Receivables from non-exchange transactions	296,597,861	268,344,476
Receivables from exchange transactions	1,125,218,880	1,010,104,274
Cash and cash equivalents	125,689,425	198,250,543

43. Related parties

Relationships

Members of key management

Refer to note 28

Members of council

Refer to note 29

During the financial year, there were no members of key management with related party transactions.

Key management and councilors receive and pay for services on the same terms and conditions as other rate payers, these transactions are recorded at arm's length.

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44. Prior-year adjustments

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

A summarised explanation of the prior period errors are as follows:

Cash and cash equivalents was restated due to a correction in unreconciled items

Inventories were restated due to reclassification.

VAT receivables was restated due to cut- off corrections.

Receivables from non-exchange transactions was restated due to the correction of debtors.

Receivables from exchange transactions was restated due to the correction of debtors.

Investment property was restated due to property that was inappropriately classified as investment property.

Property, plant and equipment was restated due to reclassification and correction of depreciation.

Payables from exchange transactions was restated due to corrections to accrual leave, retentions and cut-off corrections.

Services charges was restated due to correction of amounts previously reversed.

Other income was restated due to correction of amounts previously reversed.

Income received was restated due to correction of amounts previously reversed.

Property rates were restated due to a correction of billing.

Employee-related costs was restated due to accrual leave and reclassification.

Contracted services was restated due to cut- off corrections.

General expenditure was restated due to cut-off corrections and reclassification.

Repairs and maintenance was restated due to reclassification.

Depreciation and amortisation was restated due to an understatement of depreciation.

Fair value adjustments were restated due to investment property that was incorrectly classified.

Commitments was restated due to prior year corrections.

Fruitless and wasteful expenditure was restated due to a casting error.

Contingent liabilities were restated due to prior year corrections.

Statement of financial position

2022

	Note	As previously reported	Correction of error	Adjustment 2022	Re-classification	Restated
Inventories	4	6,042,765	-	-	59,410	6,102,175
Cash and cash equivalents	3	203,091,108	(4,840,564)	-	-	198,250,544
Receivables from exchange transactions	5	962,664,504	42,101,490	-	-	1,004,765,994
Receivables from non-exchange transactions	6	259,255,123	2,529,876	-	-	261,784,999
VAT receivable	8	921,211,920	(613,326)	-	-	920,598,594
Investment property	10	2,188,232,016	(233,200,001)	-	-	1,955,032,015
Property, plant and equipment	11	3,898,020,773	54,396,809	-	3,521,526	3,955,939,108
Payables from exchange transactions	13	(10,635,039,581)	(5,056,997)	-	-	-10,640,096,578)
Accumulated surplus		(2,946,136,363)	(9,399,515)	(131,702,257)	-	(3,087,238,135)
		(5,142,657,735)	(154,082,228)	(131,702,257)	3,580,936	(5,424,861,284)

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Figures in Rand		2023	2022		
44. Prior-year adjustments (continued)					
Statement of financial performance					
2022					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	18	1,312,985,681	37,676,701	-	1,350,662,382
Other income	23	15,572,012	6,804	-	15,578,816
Interest received	24	272,702,820	2,326,770	-	275,029,590
Property rates	25	441,609,603	2,383,422	-	443,993,025
Employee related cost	28	(869,043,260)	2,385,802	(32,020)	(866,689,478)
Contracted services	35	(178,912,448)	(4,420,407)	-	(183,332,855)
General expenditure	36	(468,162,589)	(10,047,438)	(3,463,512)	(481,673,539)
Repairs and maintenance	38	(65,973,709)	(4,685)	990,837	(64,987,557)
Depreciation and amortisation	30	(234,573,396)	4,568,179	-	(230,005,217)
Fair value adjustments	38	290,880,456	(181,110,000)	-	109,770,456
Deficit for the year		517,085,170	(146,234,852)	(2,504,695)	368,345,623
Disclosure					
		As previously reported	Correction of error		Restated
Fruitless and wasteful expenditure		- 311,568,965	1,729,138		313,298,103
Commitments		- 190,344,111	(9,649,737)		180,694,374
Irregular expenditure		- 1,654,315,914	28,374,496		1,682,690,410
Contingent liabilities		- 3,794,159,836	(3,576,511,443)		217,648,393
		- 5,950,388,826	(3,556,057,546)		2,394,331,280

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45. Going concern

Management made an assessment on Matjhabeng Local Municipality's ability to continue as a going concern and whether this set of Financial Statement should be prepared on the going concern basis. Based on the assessment management identified following conditions that may cast significant doubt on MLM's ability to continue as a going concern:

Solvency assessment

We draw attention to the fact that at 30 June 2023:

The municipality had an accumulated deficit of R4 197 678 664 (2022: R3 087 238 135)

The municipality's total liabilities exceed its total assets by R4 197 678 664 (2022: R3 087 238 135). The municipality had a deficit of R1 115 679 647 (2022: R1 166 788 274)

Liquidity assessment

Based on the current assets and current liabilities values on the statement of financial position we calculated the following ratios to assess liquidity of the municipality:

Current ratio: (0,21 : 1) Total current assets cover only 21% of the total current liabilities.

Acid ratio: (0,20 : 1) Quick assets covers only 20% of the current liabilities.

Cash ratio: (0,01 : 1) Cash and cash equivalent can only cover 1% of current asset if they become due.

Creditors days: It takes MLM an average 930 days to pay off its creditors.

In addition to above the municipality owed Eskom R5 630 675 806 (2022: R4 763 669 846)

and Bloem Water R5 436 424 698 (2022: R4 897 035 157) these accounts are long overdue.

Debtors' impairment increased from R894 299 456 at 30 June 2022 to R1 116 245 618 at 30 June 2023.

Notwithstanding the above negative indicators there is an assurance that municipal activities will continue to meet its statutory obligation for the foreseeable future based on the following:

- The municipality will continue to have the power to levy rates in following financial period.
- In the current year the municipality has managed to acquire a huge number of new fleet that is expected to improve service delivery.
- The municipality is in the process of implementing revenue enhancement programs, these revenue enhancement programs "Operation Patala" will include a specific recovery of arrear amounts from clients.
- The DORA allocation for the grants to be received in the 2023/2024:
 - Equitable share: R 685 410 000
 - EPWP: R3 661 000
 - LGFMG : R3 100 000
 - INEP: R30 823 000
- The municipality has an improved working capital management manifested by reduction of third-party balances by consistent payments of third parties.

46. Events after the reporting date

The following adjusting events were identified at the time of preparing and submitting the annual financial statement

Debt write-off

In a council meeting held 25 July 2023, council meeting resolved to write-off the following amounts:

1. Municipal debt and indigent debt amounting R300 235 953
2. Registered Public Benefit Organizations debt amounting to R14 584 028

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47. Unauthorised expenditure		
Opening balance as previously reported	2,277,614,175	3,364,533,574
Add: Unauthorised expenditure	1,067,576,615	1,474,880,001
Less: Amount written off - current	(852,914,664)	(2,561,799,400)
Closing balance	2,492,276,126	2,277,614,175

A report was served before council on the 30th May 2023 and it was approved that unauthorised expenditure to the value of R852 914 664 relating to 2021/2022 and 2020/2021 financial years be written-off.

The line item was restated, refer to prior period error note 44 for more details on the error.

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

Non-cash	824,920,351	745,281,377
Cash	242,656,263	729,598,623
	1,067,576,614	1,474,880,000

48. Fruitless and wasteful expenditure

Opening balance	313,298,103	519,966,508
Fruitless and wasteful expenditure	339,841,917	180,736,298
Less: Amount written off - current	(313,298,104)	(387,404,703)
Closing balance	339,841,916	313,298,103

Fruitless and wasteful expenditure includes interest levied for late payment of creditors.

A report was served before council on the 29th of June 2023 and it was approved that fruitless and wasteful expenditure to the value of R313 298 103 relating to 2021/2022 and 2020/2021 financial years be written-off

The fruitless and wasteful expenditure was investigated during the financial period by MPAC and determined to be irrecoverable and no criminal or disciplinary actions were taken.

The line item was restated, refer to prior period error note 44 for more details on the error.

49. Irregular expenditure

Opening balance as previously reported	1,682,690,409	1,346,393,213
Add: Irregular expenditure - current	132,400,248	216,180,180
Add: Irregular Expenditure identified during the audit	14,354,130	91,742,521
Add: Prior period error adjustment	-	28,374,495
Closing balance	1,829,444,787	1,682,690,409

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49. Irregular expenditure (continued)		
Incidents/cases identified/reported in the current year include those listed below:		
	Disciplinary steps taken/criminal proceedings	
Non-compliance with the MFMA & Supply Chain Policy	None	
	146,754,378	307,922,701

Details of investigations performed

Irregular expenditure includes instances of non-compliance with the requirements of MFMA and Supply Chain Management regulations..

The Accounting Officer continues to establish controls to detect and prevent these types of expenditure and the municipality has adopted the use of a centralised database from Treasury.

Detailed particulars of irregular expenditure is contained in the register maintained in terms of the requirements of MFMA Circular No.68

No amount of irregular expenditure was certified by the council to be irrecoverable and to be written-off.

As per updated MFMA circular no.68 issued in October 2021 the amounts disclosed for irregular expenditure are inclusive of VAT.

The total extent of the 2022 financial year's irregular expenditure is under investigation.

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50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Opening balance	13,281,101	9,035,604
Current year subscription fee	10,118,555	9,297,497
Amount paid - current year	(6,750,000)	(24,000)
Amount paid - previous years	-	(5,028,000)
	16,649,656	13,281,101

Being the subscription fee to the South African Local Government Association (SALGA).

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

Fraud investigations

The municipality conducted the following fraud investigations for the prior financial year:

- Case number: 527/05/2016
- Case number: 451/02/2016
- Case number: 116/08/2017
- Case number: 406/01/2020

As at 30 June 2023 the following cases were still under investigation:

Case number: 451/02/2016 - Fraud by service provider

The service provider Tiro Ya Nnete Trading and projects was given official orders no. 0001047515 and 0001047593 on the 9th and 19th November 2015 for the supply and delivery of tar for an amount of R154,080.58 respectively, however the services were never rendered to the municipality despite having received payment on the 11th of November 2015 for order no. 0001047515. After a thorough investigation it was found that the service provider forged the signature of Mr. Ewan Eloff on the invoice he submitted at Supply Chain in order to receive payment fraudulently. He later came clear with his actions admitting to the fraud he had committed. The case was reported to Mr. Bokvel Pieterse to investigate and open a criminal case where necessary. It was recommended that all orders issued to this service provider be cancelled and any fraudulent payment done to be recovered from him. The Department of Public Safety and Transport would investigate the matter and open possible criminal cases. It was also recommended that the supplier be permanently removed from the Service Providers database of Matjhabeng.

Case number: 527/05/2016 - Bank details amendments

On the 13th of May 2016 payments were made to suppliers - Circle Tooling, Free State Sun and Ricmisa Trading for a total of R787,779.91. Contrary to the normal payment process, the final payment report pulls through different banking details although the payments were captured correctly on the system (Solar). After a thorough investigation it was found that there is no audit trail on cash focus to indicate that the banking details were changed or amended on ABSA cash focus. Correct banking details also appear on the IF80 report derived from Solar. It was therefore concluded that the changes could have occurred on the Z drive. Therefore it seems the payments were directed to the incorrect payees. The IT department was contacted for investigation but no information could be obtained. This case is still under investigation with the Thabong SAPS branch.

Case number: 116/08/2017 - Illegal sale of erven

During the 2017/18 financial year the Municipal Housing Department discovered that there was a growing number of individuals alleging to have purchased sites from the municipality without council having approved sale of such erven. The municipality launched an investigation to discover that the matter was prevalent and may be intentionally perpetuated by municipal staff. Upon discovery a case was opened with South African Police Services. The case is still under investigation.

Case number: 406/01/2020 - Payroll fraud

On 22 January 2020, 69 bank account numbers of various Matjhabeng Local Municipality employees had been changed to 16 different bank account numbers without consent. Although the bank accounts on the payslips had been verified as correct, the account numbers on the payroll system were altered. After a thorough investigation it appeared that the IP address of the Senior Clerk: Salaries was compromised and unauthorised access had been obtained, which resulted in the alteration of the banking details of various employees. The issue was immediately escalated to the Chief Financial Officer and in turn to the Acting Municipal Manager at that time. A total of R3,508,268.52 had been fraudulently diverted to other individuals. A case has been opened and is still under investigation by the Hawks.

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	3,777,425	2,218,431
Current year audit fees	13,186,680	11,437,169
Interest charged	121,470	225,089
Amount paid - current year	(11,996,468)	(8,594,064)
Amount paid - previous years	(3,777,426)	(1,509,200)
	1,311,681	3,777,425
PAYE, UIF and SDL		
Opening balance	18,693,743	30,731,226
Current year payroll deductions and council contributions	146,679,018	139,977,837
Penalties and interest	1,218,680	8,805,376
Adjustments made by SARS	-	(23,024,367)
Amount paid - current year	(147,897,698)	(113,825,931)
Amount paid - previous years	(11,932,915)	(23,970,398)
	6,760,828	18,693,743
Pension and Medical Aid Deductions		
Opening balance	(34,972,656)	41,752,336
Current year payroll deductions and council contributions	146,921,227	129,705,934
Amount paid - current year	(134,215,027)	(206,430,926)
	(22,266,456)	(34,972,656)
VAT		
VAT receivable	968,241,561	920,598,594

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

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days:

30 June 2023	Total
Buti MP	9,159
Helepi AB	108,279
Jansen Van Rensburg WH	6,691
Khalipha TD	7,985
Khepeng MA	21,124
Mahlaku ME	66,284
Masina XN	22,159
Mokhomo HA	56,049
Mphore IP	16,677
Nthuba PV	33,801
Rantso MJ	75,796
Tshabangu SE	46,058
Twala MJ	436,014
Xaba-Monjovo NE	14,981
	921,057
30 June 2022	Total
Buti MP	882
Helepi AB	86,725
Janse Van Rensburg WH	1,476
Kalipa T	11,173
Khalipha TD	30,619
Mahlaku ME	20,367
Manenye AJ	53,184
Manese SD	8,592
Mokhomo HA	990
Mphore IP	15,538
Tuba PVC	32,819
Rantso MJ	36,173
Tshabangu SE	70,490
Twala MJ	412,652
Xaba-Monjovo NE	15,700
	797,380

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

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 deviate from official procurement process in certain circumstances, provided the reasons for any deviations are recorded, reported to Council.

30 June 2023	Strip and quote	Sole suppliers	Emergency	Impractical
July 2022	-	-	1,043,960	-
August 2022	-	-	1,422,990	-
October 2022	-	-	268,200	-
November 2022	-	-	776,121	-
December 2022	-	-	860,000	-
January 2023	-	-	432,376	-
February 2023	-	-	933,904	-
March 2023	-	-	1,175,895	-
April 2023	-	-	1,285,999	-
May 2023	-	-	1,384,855	-
June 2023	-	-	745,000	-
	-	-	10,329,300	-

30 June 2022	Strip and quote	Sole suppliers	Emergency	Impractical	Total
July 2021	-	-	-	367,208	367,208
August 2021	-	903,000	-	1,846,317	2,749,317
September 2021	-	34,754	-	1,976,591	2,011,345
October 2021	-	-	6,489	779,208	785,697
November 2021	-	-	-	1,826,048	1,826,048
December 2021	-	-	-	2,176,080	2,176,080
January 2022	-	337,097	592,312	1,550,670	2,480,079
February 2022	-	774,356	127,121	2,483,540	3,385,017
March 2022	-	695,652	667,340	1,587,374	2,950,366
April 2022	-	4,930	2,547,887	2,153,052	4,705,869
May 2022	-	392,039	-	1,129,504	1,521,543
	-	3,141,828	3,941,149	17,875,592	24,958,569

51. 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.

Aggregated segments

The municipality operates throughout the Free State Province in 6 towns. Segments were aggregated on the basis of services delivered.

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Figures in Rand	2023	2022
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51. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment

Community and public safety

Trading services

Economic and environmental services

Other (fresh produce market and airport services)

Goods and/or services

Community services

Sales of goods and services

Public services

Sales of goods and services

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51. Segment information (continued)

Segment surplus or deficit

2023

	Community and public safety	Trading services	Economic and environmental services	Other	Governance and administration	Total
Revenue						
External revenue from non-exchange transactions	2,619,796	41,198,475	-	-	1,180,073,153	1,223,891,424
External revenue from exchange transactions	10,490,708	1,723,336,874	12,976	252,341	117,828,284	1,851,921,183
Fair value adjustment	-	-	117,635,196	-	-	117,635,196
Actuarial gains	-	99,108,346	-	-	-	99,108,346
Total segment revenue	13,110,504	1,863,643,695	117,648,172	252,341	1,297,901,437	3,292,556,149
Entity's revenue						3,292,556,149
Expenditure						
Total segment expenditure	270,861,807	2,669,204,379	141,876,822	3,659,878	1,297,596,972	4,383,199,858
Impairment loss	-	25,035,938	-	-	-	25,035,938
Total segment expenditure	270,861,807	2,694,240,317	141,876,822	3,659,878	1,297,596,972	4,408,235,796
Total segmental surplus/(deficit)	(257,751,303)	(830,596,622)	(24,228,650)	(3,407,537)	304,465	(1,115,679,647)

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

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Figures in Rand	2023	2022
52. Cash generated from operations		
Deficit	(1,115,679,647)	(1,166,788,274)
Adjustments for:		
Depreciation and amortisation	230,684,529	230,005,217
Gain on sale of assets and liabilities	-	36,645,149
Fair value adjustments	(117,635,196)	(109,770,456)
Interest income	(410,554,400)	(272,236,240)
Dividends or similar distributions received	(40,753)	(33,570)
Finance costs	332,177,303	173,456,459
Impairment deficit	25,035,938	6,726,159
Debt impairment	1,116,245,618	850,074,718
Employee benefit obligations - finance cost	56,189,913	47,540,982
Employee benefit obligations - current service cost	24,781,294	20,408,508
Non-cash donations and other in-kind benefits	(4,217,105)	(44,551,882)
Provision raises/increased - finance cost	(2,702,595)	(15,943,205)
Actuarial loss	(99,108,346)	(18,683,622)
Other non-cash items	5,115,541	-
Changes in working capital:		
Inventories	1,260,730	(974,003)
Other receivables	4,543,214	(610,203)
Consumer debtors	(875,784,939)	(681,934,391)
Other receivables from non-exchange transactions	(132,748,375)	(63,950,919)
Payables from exchange transactions	1,197,494,847	1,296,356,804
VAT	(47,642,967)	(97,661,416)
Unspent conditional grants and receipts	(72,043,851)	88,637,308
Consumer deposits	5,543,250	1,526,752
Employee benefit obligation - expected payments	(8,946,741)	(11,529,067)
	111,967,262	266,307,808