

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022



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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Jurisdiction Number	Municipal demarcation code FS201
Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.
Nature of business and principal activities	Moqhaka is a local municipality performing functions as set out in the Constitution of South Africa (Act 105 of 1996).
Mayoral committee	
Executive Mayor	Chakane, MS (Terminated) Mokatsane, ME (Appointed 22 Nov 2021)
Speaker	Khiba, SV
Council Whip	Tladi, SB (Terminated) Semakale, MM (Appointed 22 Nov 2021)
Members of the Mayoral Committee	Tau, RD Mbona, ML Ntsala, TM Tshabalala, MP Lulama, MR Khotle, MA Phamotse, EP Ramajoe, EL Ramathibe, BS
Grading of local authority	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	Mqwathi, MS (Deceased) Mofokeng, MM (Acting)
Chief Finance Officer (CFO)	Marumo, T (Terminated) Maswanganyi, J (Acting)
Registered office	Municipal Offices Hill Street Kroonstad 9499
Business address	Municipal Offices Hill Street Kroonstad 9499
Postal address	PO Box 302 Kroonstad 9500
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Du Randt & Louw Majavu Incorporated Lebea & Associates

Moqhaka Local Municipality

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General Information

Preparer

The Chief Financial Officer

Members of council

Baba, MN
Boeije, HME
Botha, AV
Chabalala, SM
Dalton, CM
Geldenhuis, J
Lebone, NS
Louwrens, L
Makoko, MP
Marapo, JS
Meko, J
Mnaba, NM
Mofokeng, TG
Morake, ME
Motsoeneng, SM
Mpele, MPE
Muller, ND
Nolo, NM
Pittaway, SH
Ramoolla, MJ
Rankokosane, MD
Roderick, KJ
Saaiman, CJ
Sekhesa, L
Sello, T
Serapela, DJ
Sesing, IS
Thebe, EMM
Tloome, C
Van Heerden, L
Van Schalkwyk, L
Visagie, AJ

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Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
SCM	Supply Chain Management
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 judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 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.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 35 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 7 to 89, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed by:

Mofokeng, MM (Acting)
Accounting Officer

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Moqhaka Municipal Area.

Net deficit of the municipality was R 194 582 384 (2021: deficit R 84 115 345).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The analysis of the going concern is clearly depicted in note 54.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that could have an impact on the annual financial statements, except for matters as outlined in note 56.

4. Accounting Officer's interest in contracts

The accounting officer's did not have any interest in contracts during the financial year.

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Accounting Officer

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

Name	Nationality
Mqwathi, MS (Deceased)	South African
Mofokeng, MM (Acting)	South African

7. Auditors

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	41 563 356	32 729 244
Inventories	4	98 192 951	90 707 530
Investments	5	112 026	106 792
Receivables from exchange transactions	6	397 000 234	345 139 010
Receivables from non-exchange transactions	7	64 130 094	58 689 649
VAT receivable	8	118 332 046	89 444 844
		719 330 707	616 817 069
Non-Current Assets			
Investments	5	281 540	251 946
Receivables from exchange transactions	6	2 130 908	1 528 824
Receivables from non-exchange transactions	7	244 122	219 686
Heritage assets	9	7 761 921	7 761 921
Intangible assets	10	2 816 557	2 742 315
Investment property	11	107 623 327	105 837 439
Property, plant and equipment	12	1 946 747 431	1 988 380 414
		2 067 605 806	2 106 722 545
Total Assets		2 786 936 513	2 723 539 614
Liabilities			
Current Liabilities			
Consumer deposits	13	14 413 657	13 441 256
Finance lease obligation	14	942 792	175 105
Borrowings	15	12 654 537	14 289 087
Payables from exchange transactions	16	942 404 039	235 223 184
Provisions	17	58 000	67 000
Unspent conditional grants and receipts	18	4 822 150	19 338 574
Employee benefit obligation	19	7 244 490	6 619 327
Eskom payment arrangement	20	-	45 000 000
		982 539 665	334 153 533
Non-Current Liabilities			
Finance lease obligation	14	2 416 237	-
Borrowings	15	11 757 098	14 166 372
Provisions	17	111 511 971	107 488 501
Employee benefit obligation	19	58 639 000	55 133 000
Eskom payment arrangement	20	-	282 653 727
Interest concession	21	-	115 289 547
		184 324 306	574 731 147
Total Liabilities		1 166 863 971	908 884 680
Net Assets		1 620 072 542	1 814 654 934
Accumulated surplus		1 620 072 542	1 814 654 934
Total Net Assets		1 620 072 542	1 814 654 934

* See Note 51

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	555 326 952	512 887 743
Rental of facilities and equipment	23	5 043 682	4 446 431
Fees	24	208 378	322 238
Interest received	25	31 041 016	25 266 142
Other income	26	17 265 724	28 144 717
Fair value adjustments	27	2 043 982	1 152 660
Gains on employee benefit obligation	28	925 000	2 371 999
Total revenue from exchange transactions		611 854 734	574 591 930
Revenue from non-exchange transactions			
Taxation revenue			
Service charges (Availability charges)	22	706 989	-
Property rates	29	74 402 755	76 835 758
Transfer revenue			
Government grants and subsidies	30	313 740 873	316 034 517
Public contributions and donations	31	517 047	5 344 094
Fines	32	3 381 411	2 033 190
Total revenue from non-exchange transactions		392 749 075	400 247 559
Total revenue	33	1 004 603 809	974 839 489
Expenditure			
Losses on employee benefit obligation	28	2 822 878	-
Employee related costs	34	327 453 995	311 882 877
Remuneration of councillors	35	19 486 076	19 711 279
Repairs and maintenance	36	85 773 289	79 475 539
Depreciation and amortisation	37	108 482 507	110 342 712
Impairment loss on assets	38	13 390 723	143 485
Finance costs	39	73 897 023	31 367 625
Debt impairment	40	66 883 066	80 489 324
Bulk purchases	41	336 647 480	291 442 957
Contracted services	42	71 641 576	53 755 145
Loss on disposal of assets	43	4 171 231	550 825
General expenses	44	88 536 349	79 793 066
Total expenditure		1 199 186 193	1 058 954 834
Deficit for the year		(194 582 384)	(84 115 345)

* See Note 51

Moqhaka Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 893 077 667	1 893 077 667
Adjustments		
Prior year adjustments, Note 51	5 692 612	5 692 612
Balance at 01 July 2020 as restated*	1 898 770 279	1 898 770 279
Deficit for the year	(84 115 345)	(84 115 345)
Total changes	(84 115 345)	(84 115 345)
Restated* Balance at 01 July 2021	1 814 654 926	1 814 654 926
Deficit for the year	(194 582 384)	(194 582 384)
Total changes	(194 582 384)	(194 582 384)
Balance at 30 June 2022	1 620 072 542	1 620 072 542

* See Note 51

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Customers		536 488 015	452 480 691
Grants		299 224 449	318 902 776
Interest		1 150 843	879 654
Other receipts		29 362 201	43 799 660
Dividends		23 023	15 669
		<u>866 248 531</u>	<u>816 078 450</u>
Payments			
Employee costs		(345 042 193)	(333 966 155)
Suppliers		(422 730 547)	(408 274 576)
		<u>(767 772 740)</u>	<u>(742 240 731)</u>
Net cash flows from operating activities	46	<u>98 475 791</u>	<u>73 837 719</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(85 722 369)	(54 261 049)
Purchase of intangible assets	10	(498 000)	(293 380)
Additions of investments	5	(5 234)	(3 711)
Net cash flows from investing activities		<u>(86 225 603)</u>	<u>(54 558 140)</u>
Cash flows from financing activities			
Repayment of borrowings	15	(6 600 000)	(550 000)
Finance lease repayments		(1 645 956)	(1 053 683)
Increase in finance lease liabilities		4 829 880	-
Net cash flows from financing activities		<u>(3 416 076)</u>	<u>(1 603 683)</u>
Net increase/(decrease) in cash and cash equivalents		8 834 112	17 675 896
Cash and cash equivalents at the beginning of the year		32 729 244	15 053 348
Cash and cash equivalents at the end of the year	3	<u>41 563 356</u>	<u>32 729 244</u>

* See Note 51

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	637 523 000	14 150 000	651 673 000	555 326 952	(96 346 048)	22
Rental of facilities and equipment	7 943 000	1 000	7 944 000	5 043 682	(2 900 318)	23
Other income	14 895 000	5 704 000	20 599 000	20 443 084	(155 916)	26
Interest received	32 808 000	251 000	33 059 000	31 041 016	(2 017 984)	25
Total revenue from exchange transactions	693 169 000	20 106 000	713 275 000	611 854 734	(101 420 266)	
Revenue from non-exchange transactions						
Taxation revenue						
Service charges (Availability charges)	-	-	-	706 989	706 989	22
Property rates	84 416 000	(5 857 000)	78 559 000	74 402 755	(4 156 245)	29
Transfer revenue						
Government grants & subsidies	236 129 000	6 500 000	242 629 000	236 180 262	(6 448 738)	30
Public contributions and donations	-	-	-	517 047	517 047	31
Fines	6 019 000	(20 000)	5 999 000	3 381 411	(2 617 589)	32
Total revenue from non-exchange transactions	326 564 000	623 000	327 187 000	315 188 464	(11 998 536)	
Total revenue	1 019 733 000	20 729 000	1 040 462 000	927 043 198	(113 418 802)	
Expenditure						
Employee costs	(322 955 000)	(10 110 000)	(333 065 000)	(327 453 995)	5 611 005	34
Remuneration of councillors	(20 693 000)	(541 000)	(21 234 000)	(19 486 076)	1 747 924	35
Depreciation and amortisation	(9 676 000)	(1 422 000)	(11 098 000)	(108 482 507)	(97 384 507)	37
Finance costs	(3 620 000)	(4 980 000)	(8 600 000)	(73 897 023)	(65 297 023)	39
Debt Impairment	(95 496 000)	14 091 000	(81 405 000)	(66 883 066)	14 521 934	40
Bulk purchases	(318 434 000)	970 000	(317 464 000)	(336 647 480)	(19 183 480)	41
General Expenses	(84 878 000)	(22 786 000)	(107 664 000)	(108 921 181)	(1 257 181)	44
Contracted Services	(130 293 000)	(2 760 000)	(133 053 000)	(157 414 865)	(24 361 865)	42
Total expenditure	(986 045 000)	(27 538 000)	(1 013 583 000)	(1 199 186 193)	(185 603 193)	
Operating surplus (Deficit)	33 688 000	(6 809 000)	26 879 000	(272 142 995)	(299 021 995)	
Transfers recognised - capital	79 058 000	3 427 000	82 485 000	77 560 611	(4 924 389)	
Capital Expenditure	(79 058 000)	(3 427 000)	(82 485 000)	-	82 485 000	
	-	-	-	77 560 611	77 560 611	
Deficit before taxation	33 688 000	(6 809 000)	26 879 000	(194 582 384)	(221 461 384)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	33 688 000	(6 809 000)	26 879 000	(194 582 384)	(221 461 384)	

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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

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

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

These annual financial statements comply with all the requirements of the Standards of Generally Recognised Accounting Practice.

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Services and rates debtors

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

The impairment for Services and rates debtors is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of investment properties is determined with reference to market conditions as at year end. This valuation was performed by a registered professional valuer.

Provisions

Provisions were raised and management determined an estimate based on the best information available at the time of making the judgement and estimate of the financial effect.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for the property, plant and equipment as well as intangible assets. The municipality re-assess the useful lives and the residual values if material of the individual asset. This estimate is based on industry norms and future plans of the municipality communicated through its strategic planning processes.

If material, management will change the depreciation consideration of the condition and actual use charge where useful lives are more / less than previously estimated.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of government 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.

Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Bad debts

All financial assets measured at amortised cost, or cost, are subject to an impairment review in accordance with paragraphs .57 to .64 of GRAP 104

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it is probable that the borrower will enter sequestration or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.3 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.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Investment property (continued)

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

Fair value

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

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

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

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

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

Derecognition

The gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

- When the municipality leases out the property and receives rental income.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Determining any cash generations independent from other assets.
- Purpose of holding the asset, whether generally held to earn rental income or for capital appreciation.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 36).

1.4 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.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if: it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost

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

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

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

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

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

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

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

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

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

An entity applies GRAP 12 to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period. The obligations for costs accounted for in accordance with GRAP 12 or this Standard are recognised and measured in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets

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		Indefinite
Buildings	Straight line	25 - 30 years
Building Fixtures	Straight line	3 - 5 years
Plant and machinery	Straight line	2 - 40 years
Furniture and fixtures	Straight line	3 - 15 years
Motor vehicles	Straight line	5- 15 years
Office equipment	Straight line	3 - 15 years
IT equipment	Straight line	3 - 10 years

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1.4 Property, plant and equipment (continued)

Infrastructure	Straight line	5 - 100 years
Community	Straight line	15 - 30 years
Quarries	Straight line	15 - 20 years
Landfill sites	Straight line	15 - 80 years
Finance leases - 3G cards	Straight line	Contract Term
Finance leases - Cellphones	Straight line	Contract Term
Solid waste	Straight line	5 - 55 years
Waste water network	Straight line	5 - 100 years

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 36).

Impairment

The municipality assess 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 property, plant and equipment.

Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

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Accounting Policies

1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

1.6 Heritage assets

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

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

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

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

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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1.6 Heritage assets (continued)

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 36).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 36).

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

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset is revalued, the entire class of heritage assets to which that asset belongs shall be revalued.

If the heritage asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

There is a presumption that fair value can be measured reliably for a heritage asset. However, that presumption can be rebutted when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable. In such a case, the heritage asset shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses.

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

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.

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

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

Impairment

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

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Accounting Policies

1.6 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

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

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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

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

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

Moqhaka Local Municipality

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1.7 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	20 years
Computer software	Straight line	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Residual value

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to acquire the asset at the end of its useful life; or there is an active market for the asset and:

- (i) residual value can be determined by reference to that market; and
- (ii) it is probable that such a market will exist at the end of the asset's useful life.

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

Moqhaka Local Municipality

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Accounting Policies

1.8 Financial instruments

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.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position into the following categories:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value
Investments	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value if subsequently measured at fair value.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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1.8 Financial instruments (continued)

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

Gains and losses

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

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

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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1.8 Financial instruments (continued)

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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Accounting Policies

1.9 Tax

Value Added Tax (VAT)

VAT comprises current and non-current VAT (deferred VAT). VAT is accounted for on an accrual basis, but the VAT declarations to the South African Revenue Services (SARS) are made on a payment basis in terms of section 15 of the Value-Added Tax Act 89 of 1991 (VAT Act). On a payment basis, the municipality must declare output tax when the recipient makes payment according to a taxable supply made to the recipient by the municipality. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1)(a) of the VAT Act in respect or response to a taxable supply of goods or services. 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, no output tax is declared to the SARS. The municipality can deduct input tax on qualifying VAT expenditure in terms of section 16 of the VAT Act also on the payment basis when they make payments to suppliers and the VAT expenditure is incurred in the course or furtherance of a taxable activity.

A VAT asset is recognised to the extent that the municipality will be able to deduct the net input tax in future VAT declarations to the SARS. VAT assets are reviewed at each reporting date and are adjusted based on the probability that the VAT asset can be realised in future VAT declarations to the SARS. The VAT asset will be reduced to the extent that it is no longer probable that the VAT asset will be realised. A VAT liability is recognised to the extent that the municipality will be obligated to declare a net output tax in future VAT declarations to the SARS.

The municipality assesses at each reporting date whether there is an indication that its output tax amount payable to the SARS is impaired. If any such indication exists, the municipality estimates the output tax payable amount based on observable data indicating a measurable decrease in the estimated future cash flows expected from its customers.

The VAT is offset in the statement of financial position because offsetting reflects the substance of the transaction as VAT is declared to the SARS on a net basis.

VAT is recognised using the VAT rates enacted or substantially enacted at the financial position date and considering any VAT payable or receivable adjustment in the past years.

1.10 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

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Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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

Inventories shall be recognised as an asset if, and only if,

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

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.

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.12 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

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

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

Defined benefit plans

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

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

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

Past service costs: Recognise past service costs as an expense in the reporting period in which the plan is amended.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

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

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

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

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

Post-retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charge to income as incurred throughout the year.

1.13 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.

Moqhaka Local Municipality

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Accounting Policies

1.13 Provisions and contingencies (continued)

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.

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

1.14 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.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense rather than as an adjustment of the amount of revenue originally recognised.

Measurement

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest and dividends

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

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

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

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

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when leviable in terms of law.

Moqhaka Local Municipality

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Accounting Policies

1.15 Revenue from non-exchange transactions

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

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

Control of an asset 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.

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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.

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Taxes

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

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.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.16 Borrowing costs

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

1.17 Comparative amounts

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

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 51.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Unauthorised expenditure (continued)

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

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

1.19 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.

1.20 Irregular expenditure

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170; or
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the Municipal Systems Act and which has not been condoned in terms of that Act; or
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.22 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 of the 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.

Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.23 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.24 Related parties

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

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

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

Moqhaka Local Municipality

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Accounting Policies

1.25 Contractual Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.26 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.27 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 an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in Appendix E to the annual financial statements.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.28 Statutory receivables

Identification

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

Moqhaka Local Municipality

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Accounting Policies

1.28 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

An entity shall initially measure statutory receivables at their transaction amount. The statutory receivables in paragraph .06 shall be measured initially in accordance with the applicable Standard of GRAP. The amount determined on initial measurement in accordance with another Standard of GRAP is the same as the transaction amount described in this Standard..

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

An entity shall assess at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired. If any such indication exists, the entity shall apply paragraphs .22 to .29.

The future cash flows of a group of statutory receivables that are collectively evaluated for impairment can be estimated using historical experience for receivables with similar characteristics. Entities that have no entity-specific historical experience or insufficient experience, can use peer group experience (when available) for comparable groups of statutory receivables. Historical experience may need to be adjusted to reflect the effects of current conditions that did not affect the period on which the historical experience is based and, to remove the effects of conditions in the historical period that do not exist currently. Where historical experience is used, the methodology and assumptions used to estimate future cash flows shall be reviewed regularly to reduce any differences between estimated and actual impairment losses.

An impairment loss recognized in prior periods for a statutory receivable shall be revised if there has been a change in the estimates used since the last impairment loss was recognized, or to reflect the effect of discounting the estimated cash flows in accordance with paragraph .23.

Derecognition

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

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

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

Moqhaka Local Municipality

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Accounting Policies

1.29 National Housing Programme

The Moqhaka Local Municipality is a Category B municipality. The municipality is not yet accredited for the housing development scheme. The municipality is currently in the process of a level 1 accreditation. However, the municipality is still required in terms of the guidelines on accounting for arrangements undertaken in terms of the National Housing Programme.

In terms of this level 1 accreditation, the municipality is required to identify and plan local housing programmes and projects. This is done through the Municipal Human Settlements Plan (MHSP), which is integrated into the municipality's Integrated Development Plan (IDP). The IDP has been approved through a Council resolution and subsequently submitted to the MEC for Local Government for review and comment.

In complying with the requirements of the ASB guidelines, the municipality further identified sites for Reconstruction and Development Programme (RDP) development. These sites have been included as inventory in the Annual Financial Statements.

The municipality makes available the land earmarked for RDP housing construction as classified under inventory on vacant sites to the provincial Department of Human Settlement and disposes of the land once beneficiaries take ownership and/or when deeds registrations are finalised.

Beneficiary management

The municipality assists in the collection of application forms from beneficiaries, informing eligible beneficiaries of the outcome of their application by the relevant provincial Department of Human Settlements and assisting with the handover of the houses.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

2. New standards and interpretations

2.1 Standards and interpretations issued

The following standards and amendments to standards have been issued but are not yet effective.

Standard/ Interpretation:

Amendments

GRAP 104 on Financial instruments (revised)
iGRAP 21 on the effect of past decisions on materiality
GRAP 25 on Employee benefits (revised)
iGRAP 7
Guideline on Accounting for landfill sites

Effective date:

Years beginning on or after

01 April 2025
01 April 2023
To be determined
To be determined
01 April 2023

Standard/ Interpretation issued, but not yet effective:

Effective date:

Years beginning on or after

Expected impact:

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

The Application of Standards of GRAP by Public Entities that Apply IFRS Standards
The Effect of Past Decisions on Materiality

01 April 2022

01 April 2022

Unlikely there will be material impact

Unlikely there will be material impact

Expected impact:

Unlikely there will be a material impact.

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	24 394	24 394
Bank balances	27 365 409	6 106 474
Short-term deposits	14 173 553	26 598 376
	41 563 356	32 729 244

Cash and cash equivalents pledged as collateral

Guarantee issued to the Department of Mineral Resources	50 000	50 000
This cession is linked to ABSA notice deposit account number: 205-8247-882		

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA BANK - Cheque Account-405-327-4876	27 353 182	6 103 851	5 316 301	27 352 310	6 103 851	5 316 301
Cash on hand	-	-	-	24 394	24 394	24 394
Accrued interest	-	3 310	2 523	13 099	3 310	2 523
ABSA BANK - Call Account - 91-3190-1443	14 172 135	26 598 376	9 710 130	14 173 553	26 598 376	9 710 130
Total	41 525 317	32 705 537	15 028 954	41 563 356	32 729 931	15 053 348

4. Inventories

Consumable stores	24 705 417	14 086 665
Vacant Sites held for resale	73 222 749	76 390 449
Water	264 785	230 416
	98 192 951	90 707 530

Consumable Inventory held by the municipality increased by R 10 618 752 in the current year (2021 increase: R 3 126 394).

Vacant sites by the municipality decreased by R 3 167 700 in the current year (2021 decrease: R 52 887).

Water Inventory held by the municipality increased R 34 369 in the current year (2021 decrease: R 2 151).

During the year inventory that were expensed through the Statement of Financial Performance amounted to R 9 532 230 (2021: R6 951 133).

No Inventories have been pledged as collateral for liabilities of the municipality.

5. Investments

Designated at fair value

ABSA deposits	112 026	106 792
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At fair value

Senwes	165 508	137 726
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The fair value is based on quoted price from active markets for identical assets and is therefore a level 1. (11 822 shares at R14.00)

Senwesbel	116 032	114 220
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The fair value is based on quoted price from active markets for identical assets and is therefore a level 1. (18 130 shares at R6.40)

	281 540	251 946
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Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Investments (continued)		
Total other financial assets	393 566	358 738
Non-current assets		
At fair value	281 540	251 946
Current assets		
At amortised cost	112 026	106 792
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.		
6. Receivables from exchange transactions		
Gross balances		
Electricity	100 478 496	83 666 088
Water	588 000 723	516 812 360
Waste Water	161 337 802	140 588 218
Waste	115 469 949	100 076 630
Other Services	84 842 078	77 609 493
Prepayments	3 622 596	11 155 809
	1 053 751 644	929 908 598
Less: Allowance for impairment		
Electricity	(33 350 286)	(23 626 840)
Water	(418 398 466)	(368 938 232)
Waste Water	(75 132 812)	(76 274 893)
Waste	(54 327 064)	(54 709 799)
Other services*	(75 542 782)	(61 219 824)
	(656 751 410)	(584 769 588)
Net balance		
Electricity	67 128 210	60 039 248
Water	169 602 257	147 874 128
Waste Water	86 204 990	64 313 325
Waste	61 142 885	45 366 831
Other services	9 299 296	16 389 669
Prepayments	3 622 596	11 155 809
	397 000 234	345 139 010
Included in above is receivables from exchange transactions		
Rentals	664 567	590 817
Sundry services	84 177 511	77 018 676
	84 842 078	77 609 493

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Receivables from exchange transactions (continued)		
The following categories are included in the balance of Sundry Services:		
1. Burial and Cemeteries		
2. Advertising and Signs		
3. Building Plans		
4. Fire & Rescue Services		
5. Connection of Water and Sanitation		
6. Clearance Certificates		
7. Sale of Stands, etc.		
Electricity		
Current (0 -30 days)	13 114 990	15 931 418
31 - 60 days	1 013 875	5 131 846
61 - 90 days	961 497	3 500 624
91 - 120 days	52 037 848	35 475 360
	67 128 210	60 039 248
Water		
Current (0 -30 days)	7 332 609	3 783 489
31 - 60 days	3 045 941	3 915 619
61 - 90 days	2 888 584	3 189 494
91 - 120 days	156 335 123	136 985 526
	169 602 257	147 874 128
Sewerage		
Current (0 -30 days)	3 138 513	2 141 257
31 - 60 days	1 559 229	1 584 009
61 - 90 days	1 478 678	1 460 082
91 - 120 days	80 028 570	59 127 977
	86 204 990	64 313 325
Refuse		
Current (0 -30 days)	2 274 961	1 419 618
31 - 60 days	1 105 002	1 043 952
61 - 90 days	1 047 916	965 416
91 - 120 days	56 715 006	41 937 845
	61 142 885	45 366 831
Other services		
Current (0 -30 days)	228 532	170 962
31 - 60 days	170 266	319 806
61 - 90 days	161 470	122 110
91 - 120 days	8 739 028	15 776 791
	9 299 296	16 389 669

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	16 017 757	18 134 550
31 - 60 days	13 699 112	17 050 391
61 - 90 days	12 971 317	14 814 178
91 - 120 days	887 066 489	772 853 263
	<u>929 754 675</u>	<u>822 852 382</u>
Less: Allowance for impairment	(634 561 845)	(567 449 579)
	295 192 830	255 402 803
Industrial/ commercial		
Current (0 -30 days)	4 608 520	14 902 632
31 - 60 days	2 450 574	4 314 409
61 - 90 days	2 318 279	2 431 126
91 - 120 days	76 457 730	32 151 511
	<u>85 835 103</u>	<u>53 799 678</u>
Less: Allowance for impairment	(22 189 565)	(17 270 009)
	63 645 538	36 529 669
National and provincial government		
Current (0 -30 days)	4 570 965	5 119 904
31 - 60 days	2 400 716	5 118 276
61 - 90 days	2 333 747	3 893 225
91 - 120 days	25 233 841	27 969 324
	<u>34 539 269</u>	<u>42 100 729</u>
Total		
Current (0 -30 days)	25 197 241	43 676 223
31 - 60 days	18 550 403	23 011 812
61 - 90 days	17 623 343	15 224 602
91 - 120 days	988 758 061	836 840 152
	<u>1 050 129 048</u>	<u>918 752 789</u>
Less: Allowance for impairment	(656 751 410)	(584 769 588)
	393 377 638	333 983 201
Reconciliation of allowance for impairment		
Balance at beginning of the year	(584 769 588)	(500 840 293)
Contributions to allowance	(656 751 410)	(584 769 588)
Reversal of allowance	584 769 588	500 840 293
	<u>(656 751 410)</u>	<u>(584 769 588)</u>
Non-Current Receivables from exchange transactions		
> 365 days	<u>2 130 908</u>	<u>1 528 824</u>
Prepayments		
Current (0 -30 days)	<u>3 622 596</u>	<u>11 155 809</u>

Moqhaka Local Municipality

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6. Receivables from exchange transactions (continued)

Non-Current Receivables from exchange transactions

Arrangements included in the above receivables from exchange transactions amounting to R 2 130 908 (2021: R 1 528 824), is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year.

No receivable from exchange transaction have been pledged as collateral for liabilities of the municipality.

Credit quality of consumer debtors

The credit quality of consumer debtors 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:

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Receivables from non-exchange transactions		
Long Term Debtors	244 122	219 686
Outstanding Electricity Collections	12 894 455	11 990 506
Fuel Deposits	2 484 820	4 784 820
Other Receivables	2 704 303	1 711 262
Eskom Account Deposit	747 501	694 021
Statutory receivables - Fines	539 825	350 439
Statutory receivables - Assessment rates	44 759 190	39 158 601
	64 374 216	58 909 335
Non-current assets	244 122	219 686
Current assets	64 130 094	58 689 649
	64 374 216	58 909 335
Assessment rates		
Gross balance	77 775 517	69 342 269
Less: Allowance for impairment	(33 016 327)	(30 183 668)
	44 759 190	39 158 601
Total		
Current (0-30 days)	2 100 613	4 594 965
31 - 60 days	1 787 667	2 603 203
61 - 90 days	1 664 034	1 769 644
91 - 120 days	72 223 203	60 374 457
Less: Impairment	(33 016 327)	(30 183 668)
	44 759 190	39 158 601
Residential		
Current (0 - 30 days)	1 527 482	2 703 385
31 - 60 days	1 386 902	1 665 419
61 - 90 days	1 332 606	1 404 428
91 - 120 days	61 307 718	54 207 395
Less: Impairment	(25 430 387)	(23 734 215)
	40 124 321	36 246 412
Industrial / commercial		
Current (0 - 30 days)	559 631	1 341 496
31 - 60 days	387 699	450 595
61 - 90 days	318 514	353 864
91 - 120 days	10 788 199	6 115 883
Less: Impairment	(7 585 940)	(6 449 453)
	4 468 103	1 812 385
National and provincial government		
Current (0 - 30 days)	13 500	550 084
31 - 60 days	13 066	487 189
61 - 90 days	12 914	11 352
91 - 120 days	127 286	51 179
	166 766	1 099 804
Reconciliation of allowance for impairment - Assessment Rates		
Balance at the beginning of the year	(30 183 668)	(27 258 091)
Contributions to allowance	(33 016 327)	(30 183 668)
Reversal of allowance	30 183 668	27 258 091

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Receivables from non-exchange transactions (continued)		
	(33 016 327)	(30 183 668)
Fines		
Gross balance	2 714 989	1 742 771
Less: Allowance for impairment	(2 175 164)	(1 392 332)
	539 825	350 439
Reconciliation of allowance for impairment - Fines		
Balance at the beginning of the year	(1 392 332)	(1 725 773)
Contribution to allowance	(2 175 164)	(1 392 332)
Reversal of impairment	1 392 332	1 725 773
	(2 175 164)	(1 392 332)

The calculation in respect of the impairment fines receivable is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 26% (2021: 24%).

The calculation for initial recognition and measurement of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 10% (2021: 5%).

Non-Current Receivables from non-exchange transactions

Long Term Debtors	244 122	219 686
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8. VAT receivable

Current assets	118 332 046	89 444 844
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

9. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	7 761 921	-	7 761 921	7 761 921	-	7 761 921

Reconciliation of heritage assets 2022

	Opening balance	Total
Heritage assets	7 761 921	7 761 921

Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage assets	7 761 921	7 761 921

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

9. Heritage assets (continued)

Heritage assets

The municipality's Heritage Assets comprise of significant historical assets within the Moqhaka Municipality. These are made up of the:

1. Anglo-Boer War Memorial Burial Site,
2. Sports Monument,
3. Mayoral Chains.
4. ZR Mahabane House:

Reconciliation of Heritage Assets

	Carrying amount 2022	Carrying amount 2021
Municipal Jewellery	1 277 800	1 277 800
Areas of land of historic or specific significance	250 122	250 122
Culturally significant buildings	6 233 999	6 233 999
	7 761 921	7 761 921

10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 196 021	(3 379 464)	2 816 557	5 698 021	(2 955 706)	2 742 315

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	2 742 315	498 000	(423 758)	2 816 557

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	2 765 638	293 380	(316 703)	2 742 315

Other information

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose titles are restricted or pledged as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

11. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	107 623 327	-	107 623 327	105 837 439	-	105 837 439

Reconciliation of investment property - 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	105 837 439	(228 500)	2 014 388	107 623 327

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	104 727 855	1 109 584	105 837 439

Pledged as security

There are currently no restrictions on Investment Property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations for the acquisition of 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.

Details of valuation

The fair value of the investment property was provided by Elira Property Group registered as a Professional Associated Valuer under subsection (2) of section 22 of (Act 47) of 2000 Property Valuers Profession Bill.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	5 043 682	4 446 431
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Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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12. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	45 779 606	-	45 779 606	45 629 606	-	45 629 606
Buildings and Fixtures	71 207 873	(30 010 561)	41 197 312	68 682 646	(28 411 958)	40 270 688
Plant and machinery	10 603 210	(7 061 702)	3 541 508	9 344 097	(6 457 562)	2 886 535
Furniture and office equipment	12 292 712	(8 220 045)	4 072 667	11 032 977	(7 681 896)	3 351 081
Motor vehicles	56 877 442	(42 408 074)	14 469 368	57 008 272	(40 170 830)	16 837 442
IT equipment	19 582 215	(9 999 049)	9 583 166	14 691 203	(8 710 239)	5 980 964
Landfill Sites	17 209 966	(13 579 592)	3 630 374	15 102 247	(13 594 379)	1 507 868
Infrastructure	4 120 030 038	(2 488 672 247)	1 631 357 791	4 096 100 151	(2 380 803 110)	1 715 297 041
Community	199 869 446	(116 078 272)	83 791 174	199 843 433	(110 803 986)	89 039 447
Capital work in progress	105 984 352	-	105 984 352	67 400 928	-	67 400 928
Finance leased assets	3 689 597	(349 484)	3 340 113	3 223 497	(3 044 683)	178 814
Total	4 663 126 457	(2 716 379 026)	1 946 747 431	4 588 059 057	(2 599 678 643)	1 988 380 414

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Public contributions and donations	Depreciation	Impairment loss	Total
Land	45 629 606	150 000	-	-	-	-	-	-	45 779 606
Buildings and Fixtures	40 270 688	2 525 227	-	-	-	-	(1 598 603)	-	41 197 312
Plant and machinery	2 886 535	825 555	(17 315)	-	-	503 304	(636 952)	(19 619)	3 541 508
Furniture and office equipment	3 351 081	1 275 342	(10 247)	-	-	2 781	(525 580)	(20 710)	4 072 667
Motor vehicles	16 837 442	-	(17 109)	-	-	-	(2 219 001)	(131 964)	14 469 368
IT equipment	5 980 964	4 916 132	(18 184)	-	-	10 962	(1 304 169)	(2 539)	9 583 166
Landfill Sites	1 507 868	-	(56 536)	2 346 750	-	-	(167 708)	-	3 630 374
Infrastructure	1 715 297 041	2 122 041	(655 902)	23 344 990	-	-	(96 084 286)	(12 666 093)	1 631 357 791
Community	89 039 447	26 066	-	-	-	-	(5 044 749)	(229 590)	83 791 174
Capital work in progress	67 400 928	70 243 006	-	(25 691 740)	(5 647 634)	-	-	(320 208)	105 984 352
Finance leased assets	178 814	3 639 000	-	-	-	-	(477 701)	-	3 340 113
	1 988 380 414	85 722 369	(775 293)	-	(5 647 634)	517 047	(108 058 749)	(13 390 723)	1 946 747 431

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Public contributions and donations	Depreciation	Impairment loss	Total
Land	45 629 606	-	-	-	-	-	-	-	45 629 606
Buildings	41 795 468	26 085	-	-	-	-	(1 550 865)	-	40 270 688
Plant and machinery	3 219 724	223 966	(708)	-	-	69 900	(592 818)	(33 529)	2 886 535
Furniture and office equipment	3 174 542	645 286	(4 583)	-	-	54 200	(506 256)	(12 108)	3 351 081
Motor vehicles	18 595 599	-	(64 750)	-	-	1 445 770	(3 055 207)	(83 970)	16 837 442
IT equipment	3 805 839	309 795	(7 159)	2 581 319	-	286 873	(981 825)	(13 878)	5 980 964
Landfill Sites	1 619 806	-	-	-	-	-	(111 938)	-	1 507 868
Infrastructure	1 776 315 536	3 530 662	(420 738)	28 966 705	-	3 487 352	(96 582 476)	-	1 715 297 041
Community	94 380 795	246 364	-	-	-	-	(5 587 712)	-	89 039 447
Capital work in progress	50 342 071	49 278 891	-	(31 548 024)	(672 010)	-	-	-	67 400 928
Finance leased assets	1 235 726	-	-	-	-	-	(1 056 912)	-	178 814
	2 040 114 712	54 261 049	(497 938)	-	(672 010)	5 344 095	(110 026 009)	(143 485)	1 988 380 414

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Property, plant and equipment (continued)		
Capital expenditure		
The municipality currently has the following capital commitments with regards to capital expenditure on infrastructure assets		
Approved and contracted for	199 590 146	193 806 146
The following amounts relates to leased assets held by the entity included in property, plant and equipment		
Office Equipment	3 359 029	175 405
Reconciliation of Work-in-Progress		
Infrastructure	75 978 120	50 529 014
Community	10 702 001	8 671 120
Landfill sites	18 859 768	7 756 330
Administration	444 463	444 464
	105 984 352	67 400 928
Reconciliation of Infrastructure Assets		
Roads and Storm water	648 580 560	666 202 547
Electricity	347 169 330	379 611 338
Water	367 448 020	384 081 957
Sewerage	268 159 881	285 401 198
	1 631 357 791	1 715 297 040
<p>Assets registers contain assets with a carrying value of R0. These are assets which have either been fully impaired or have been disposed in the 2021-21 financial year. The latter are kept in the register for comparison purposes.</p> <p>Construction of 66kV Overhead Ring project in WIP has been delayed due to lack of budget.</p> <p>Fencing of Steynsrus and Matlwangtlwang offices project has been delayed due to the contractor's inability to complete the project during the stipulated timeframe.</p> <p>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.</p> <p>Capital work in progress refers to infrastructure, community assets, ongoing projects and assets which have been paid for and have not been delivered as at 30 June 2022.</p> <p>Construction of the Indoor/Outdoor Sport facility in Koekoe Village has been delayed due to supplier material not yet delivered on site.</p> <p>Construction of 0.608km paving road in Rammulotsi has been delayed due to the contractor's inability to complete the project.</p>		
Infrastructure Impairment Loss		
<p>During the year, Infrastructure sewer assets at the old Kroonstad Sewer Plant, were impaired by a value of R12 666 092.69. These assets were identified as being idle, as per GRAP 21 - .23(b), as the old sewer is currently not in use.</p>		
13. Consumer deposits		
Electricity	4 000 717	3 389 068
Water	6 247 499	6 058 155
Sundries	4 165 441	3 994 033
	14 413 657	13 441 256

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
14. Finance lease obligation		
Minimum lease payments due		
- within one year	1 756 320	174 996
- in second to fifth year inclusive	3 073 560	-
	<u>4 829 880</u>	<u>174 996</u>
less: future finance charges	(1 470 851)	109
Present value of minimum lease payments	<u>3 359 029</u>	<u>175 105</u>
Present value of minimum lease payments due		
- within one year	942 792	175 105
- in second to fifth year inclusive	2 416 237	-
	<u>3 359 029</u>	<u>175 105</u>
Non-current liabilities	2 416 237	-
Current liabilities	942 792	175 105
	<u>3 359 029</u>	<u>175 105</u>

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12.

The lease payments does not escalate per annum in line with the Service Level Agreement that the municipality signed, and no arrangements have been entered into for any contingent rent.

15. Borrowings

At amortised cost

Annuity loans - Development Bank of South Africa	24 411 635	28 455 459
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Non-current liabilities

At amortised cost	11 757 098	14 166 372
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Current liabilities

At amortised cost	12 654 537	14 289 087
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Defaults and breaches

The municipality restructured all loans from the Development Bank of South Africa during 2012. The restructured loan bears interest on the outstanding amount at a fixed rate of 9% while amounts in arrears will bear interest at 11%.

The loan is payable in 60 (sixty) quarterly payments starting on 1 August 2012. The municipality has not defaulted payments in the current year. The municipality was not able to remedy the defaults and terms of the loan was not required to be renegotiated in terms of the restructured loan.

Balance in arrears

Capital	7 613 957	7 413 628
Interest	5 040 580	6 875 459
	<u>12 654 537</u>	<u>14 289 087</u>

Moqhaka Local Municipality

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Figures in Rand 2022 2021

16. Payables from exchange transactions

Trade payables	903 609 541	201 779 037
Payments received in advance	17 769 326	16 438 779
Deposits received	48 160	44 896
Retention creditors	7 338 146	3 277 199
Third Parties	13 638 866	13 683 273
	942 404 039	235 223 184

Trade payables 2022	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Bulk electricity	47 979 310	62 452 152	-	647 573 168	758 004 630
Various trade creditors	12 513 952	6 303 767	2 240 089	124 547 103	145 604 911
	60 493 262	68 755 919	2 240 089	772 120 271	903 609 541

Trade payables 2021	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Bulk electricity	28 230 259	23 348 219	19 125 066	41 873 385	112 576 929
Auditor General	52 614	54 851	3 659 544	5 430 095	9 197 104
Various trade creditors	85 341	144 751	33 326	79 741 586	80 005 004
	28 368 214	23 547 821	22 817 936	127 045 066	201 779 037

Suppliers have not been paid within the prescribed 30 day period due to cash flow constraints.

17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Reversed	Interest cost	Change in estimate	Total
Funeral death benefit	67 000	(9 000)	-	-	58 000
Rehabilitation cost of landfill sites	65 257 158	-	971 976	2 347 416	68 576 550
Rehabilitation cost of quarries	13 120 893	-	1 449 859	(306 420)	14 264 332
Leave pay	29 110 450	(439 361)	-	-	28 671 089
	107 555 501	(448 361)	2 421 835	2 040 996	111 569 971

Reconciliation of provisions - 2021

	Opening Balance	Additions	Reversed	Interest cost	Change in estimate	Total
Funeral death benefit	74 000	-	(7 000)	-	-	67 000
Rehabilitation cost of landfill sites	76 775 482	-	-	1 055 241	(12 573 565)	65 257 158
Rehabilitation cost of quarries	12 579 915	-	-	660 446	(119 468)	13 120 893
Leave pay	26 566 457	2 543 993	-	-	-	29 110 450
	115 995 854	2 543 993	(7 000)	1 715 687	(12 693 033)	107 555 501

Non-current liabilities	111 511 971	107 488 501
Current liabilities	58 000	67 000
	111 569 971	107 555 501

Moqhaka Local Municipality

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17. Provisions (continued)

Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited.

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation, termination or retirement.

Rehabilitation of landfill sites and quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

Funeral Death Benefit

The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to these municipal employees, and payouts are only made to employees who are deceased while in the service of the Municipality. The scheme participants make a monthly contribution of R2.5 and upon death the beneficiary/family receives the R1,000 payout.

Landfill site and Quarries provision

Summary of liability for landfill site costs

Kroonstad Landfill Site	37 406 987	36 051 295
Steynsrus Landfill Site	9 203 859	9 147 669
Viljoenskroon Landfill Site	21 965 704	20 409 704
Kroonstad gravel quarry	7 240 988	6 990 808
Steynsrus gravel quarry	7 023 344	6 130 085
	82 840 882	78 729 561

Key assumptions used:

Assumptions used at the reporting date:

	For Viljoenskroon landfill	For Steynsrus landfill	For Kroonstad landfill
CPI	7.24%	7.24%	7.24%
Discount rates used	5.250%	7.435%	5.250%
Net discount rate	6.15%	8.34%	6.15%

Moqhaka Local Municipality

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18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Municipal Infrastructure Grant (MIG)	-	6 082 814
LG Seta grant	1 764 538	1 231 714
Water Services Infrastructure grant (WSIG)	234	12 024 046
Rehabilitation of sewerage network - CoGTA grant	3 057 378	-
	4 822 150	19 338 574
Non-current liabilities	-	-
Current liabilities	4 822 150	19 338 574
	4 822 150	19 338 574

See note 30 for the reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

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19. Employee benefit obligation

Reconciliation of Employee benefit obligation - 2022	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial gain / (loss)	Total
Long service awards	18 112 000	1 737 000	1 792 000	(2 454 000)	(208 000)	18 979 000
Post-retirement Medical Plan	37 021 000	-	3 763 000	(3 946 878)	2 822 878	39 660 000
13th Cheque	6 619 327	625 163	-	-	-	7 244 490
	61 752 327	2 362 163	5 555 000	(6 400 878)	2 614 878	65 883 490

Reconciliation of Employee benefit obligation -2021	Opening Balance	Additions	Interest cost	Benefits paid	Actuarial gain / (loss)	Total
Long service awards	18 323 653	1 626 990	1 232 988	(4 438 000)	1 366 369	18 112 000
Post Retirement Medical Plan	38 585 197	-	3 612 434	(4 249 275)	(927 356)	37 021 000
13th Cheque	7 214 125	(594 798)	-	-	-	6 619 327
	64 122 975	1 032 192	4 845 422	(8 687 275)	439 013	61 752 327

Long service awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2022.

Key assumptions used:

Discount rates used	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curve
Salary inflation	Equal to CPI+1
Net discount rate	Yield Curve Base

The basis on which the discount rate has been determined is as follow:

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Amounts recognised in the statement of financial performance are as follows:

Current service cost	1 737 000	1 626 990
Interest cost	1 792 000	1 232 988
Actuarial gain / (loss)	(208 000)	1 366 367
Benefit payments	(2 454 000)	(4 438 000)
	867 000	(211 655)

Amounts recognised in the statement of financial position are as follows:

Defined benefit obligation	18 112 000	18 323 655
Movement in provision	867 000	(211 655)
	18 979 000	18 112 000

Post retirement medical aid plan

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme.

Moqhaka Local Municipality

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19. Employee benefit obligation (continued)

Carrying value

Present value of the defined benefit obligation-wholly unfunded	37 021 000	38 585 197
Current interest cost	3 763 000	3 612 434
Actuarial gains/ (loss)	2 822 878	(1 093 037)
Benefits payments	(3 946 878)	(4 083 594)
	39 660 000	37 021 000

The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:

Contributions members (e.g.: Widows, orphans, pensioners)	61	65
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Net expense recognised in the statement of financial performance

Interest cost	3 763 000	3 612 434
Actuarial (gains) losses	2 822 878	(1 093 038)
Benefit payments	(3 946 878)	(4 083 594)
	2 639 000	(1 564 198)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI+1.5%
Net Effective Discount Rate	Yield curve based

The basis used to determine the overall expected rate of return on assets is as follow:

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

The expected benefit payments over the next annual reporting period is reflected in the table below.

Balance at 30 June 2023	39 660 000
Interest cost	4 461 000
Benefits paid	(3 962 000)
	40 159 000

Moqhaka Local Municipality

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Figures in Rand	2022	2021
20. Eskom payment arrangement		
Obligations in Eskom payment arrangement		
Eskom NPV	-	327 653 727
Reconciliation of Eskom payment arrangement		
Opening balance	327 653 727	-
Additions during the year	-	327 653 727
Other changes / movements during the year	(327 653 727)	-
	-	327 653 727
Arrangement debt		
The municipality entered into a payment arrangement with Eskom concerning a portion of their Eskom electricity bulk account. In terms of the payment arrangement, the municipality is required to service the arranged debt over five years, whereby the municipality committed to pay Eskom an additional amount to their monthly electricity bulk account.		
The municipality regrettably defaulted on making all required payments in terms of the payment arrangement, which led to the arrangement debt becoming payable immediately in terms of the arrangement agreement with Eskom. As a consequence of the default, the municipality derecognised the long-term arrangement debt arrangement amount, which led to an increase of the current Eskom debt amount due.		
Total Eskom payment arrangement		
Obligations in Eskom payment arrangement	-	327 653 727
21. Interest concession		
The municipality entered into a payment arrangement with Eskom concerning a portion of their Eskom electricity bulk account. In terms of the payment arrangement, the municipality is required to service the arranged debt over five years, whereby the municipality committed to pay Eskom an additional amount to their monthly electricity bulk account. Eskom has agreed to waive the interest on the arrangement Eskom debt, but where the municipality defaulted to make the required arrangement payments, the interest payable will be retrospectively implemented.		
The municipality regrettably defaulted on making all required payments in terms of the payment arrangement, which led to the arrangement debt becoming payable immediately in terms of the arrangement agreement with Eskom. As a consequence of the default, the municipality derecognised the interest concession, as the municipality is now required to pay the arranged Eskom debt with interest.		
Interest concession	-	115 289 547
22. Service charges		
Sale of electricity	343 696 195	307 284 596
Sale of water	120 120 204	120 876 594
Solid waste	37 401 956	34 512 838
Waste water	54 108 597	50 213 715
Availability Charges	706 989	-
	556 033 941	512 887 743
Income foregone		
The income foregone included in the difference service charges relates to discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.		
23. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	5 043 682	4 446 431

Moqhaka Local Municipality

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Figures in Rand	2022	2021
24. Fees		
Administrative and management fees	208 378	322 238
25. Interest received		
Interest revenue		
Bank	1 150 843	879 654
Receivables from exchange transactions	29 890 173	24 386 488
	31 041 016	25 266 142
All amounts above included in Investment revenue arises from exchange transactions.		
26. Other income		
Unclaimed deposits	497 649	370 985
Dividends received	23 023	15 669
Provision for rehabilitation adjustment	306 420	12 693 033
Proceeds from auction	-	4 031 208
Burial income	1 650 183	2 387 588
Clearance certificates	302 804	293 968
Erven sales	6 548 206	2 174 686
Fire brigade and rescue services	412 640	730 323
Escort fees	2 874	1 342
Special services	5 387	9 570
Sundry income	2 257 516	2 420 100
Insurance claims	230 046	218 852
Building plans and inspection fees	1 068 731	855 723
Connection fees	2 827 219	1 203 891
Discount received	404 257	66 107
Hostel fees	41 255	41 255
Water valuation adjustments	34 369	2 151
Railway siding	128 935	94 297
Administration income	524 210	533 969
	17 265 724	28 144 717
27. Fair value adjustments		
Investment property (Fair value model)	2 014 388	1 109 584
Investment in shares	29 594	43 076
	2 043 982	1 152 660
28. Gains on employee benefit obligation		
Long Service Awards - Actuarial gains/(losses)	925 000	1 444 643
Post retirement medical benefit - Actuarial gains/(losses)	(2 822 878)	927 356
	(1 897 878)	2 371 999

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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29. Property rates

Rates received

Residential	18 893 362	25 592 486
Commercial	33 948 163	31 084 481
State	21 561 230	20 158 791
	74 402 755	76 835 758

Valuations

Commercial	6 197 317 314	6 196 109 400
Multi-purpose	185 544 004	163 339 000
Municipal	483 940 203	489 980 202
Non-ratable	242 024 806	241 474 805
Residential	4 694 849 696	4 686 399 570
State	1 160 022 017	1 167 932 009
	12 963 698 040	12 945 234 986

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.021 (2021:R0.022) is applied to property valuations to determine assessment rates.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2021: prime plus 1%) is levied on rates outstanding two months after due date. (Excluding national government property rates which is levied on an annual basis).

An application was made with the Department of CoGTA on 17 July 2020 for an extension of the Valuation Roll (01 July 2017 – 30 June 2021) due to the impact of Covid-19, condition of the water supply, solid waste and waste water services, planned extension off the new developments for business & residential developments, replacement of faulty water & electricity meters inclusive of indigents as well of funds needed for improvement of AG's report relating to infrastructure and immovable assets register. Approval was granted on 23 October 2020 by the Head of CoGTA Mr Mokete Victor Duma until June 2024.

Income foregone

The Income foregone included in the different property rates relates to the first R 200 000 of all residential properties that are exempted from paying property rates including, discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Government grants and subsidies		
Operating grants		
Equitable share	230 417 000	258 842 000
LG Seta grant	19 778	302 712
Financial Management grant (FMG)	2 200 000	2 000 000
Expanded Public Works Program grant (EPWP)	1 392 000	1 228 000
Housing Development Agency grant	2 151 484	-
	236 180 262	262 372 712
Capital grants		
Water Services Infrastructure grant (WSIG)	16 064 812	10 433 619
Municipal Infrastructure grant (MIG)	48 418 814	43 228 186
Rehabilitation of sewerage network - DWS grant	8 134 363	-
Rehabilitation of sewerage network - Cogta grant	3 442 622	-
Integrated National Electrification grant (INEP)	1 500 000	-
	77 560 611	53 661 805
	313 740 873	316 034 517
Equitable share		
Balance unspent at beginning of year	-	-
Current-year receipts	220 958 000	258 842 000
Conditions met - transferred to revenue	(230 417 000)	(258 842 000)
Grant withheld by National Treasury	9 459 000	-
Unspent grant	-	-
<p>This grant is primarily used to subsidise the provision of basic services to indigent households. All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse, which is funded from the grant. Indigent households also receive 10kl free water and 50kwh free electricity per month.</p>		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	6 082 814	-
Current-year receipts	42 336 000	49 311 000
Conditions met - transferred to revenue	(48 418 814)	(43 228 186)
Unspent grant	-	6 082 814
<p>The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.</p>		
LG SETA Grant		
Balance unspent at beginning of year	1 231 714	1 190 024
Current-year receipts	552 602	344 402
Conditions met - transferred to revenue	(19 778)	(302 712)
Unspent grant	1 764 538	1 231 714
<p>The grant is used for training municipality staff to enhance their skills in their respective positions.</p>		
<p>Conditions still to be met - remain liabilities (see note 18).</p>		

Moqhaka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Government grants and subsidies (continued)		
Extended Public Works Program Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	1 392 000	1 228 000
Conditions met - transferred to revenue	(1 392 000)	(1 228 000)
Unspent grant	-	-
This grant is used in respect of job creation projects and programmes.		
Water Services Infrastructure Grant		
Balance unspent at beginning of year	12 024 046	6 632 665
Current-year receipts	13 500 000	15 825 000
Conditions met - transferred to revenue	(16 064 812)	(10 433 619)
Grant withheld by National Treasury through equitable share	(9 459 000)	-
Unspent grant	234	12 024 046
This grant is used for infrastructure development including rehabilitation of key infrastructure assets.		
Conditions still to be met - remain liabilities (see note 18).		
Finance Management Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	2 200 000	2 000 000
Conditions met - transferred to revenue	(2 200 000)	(2 000 000)
Unspent grant	-	-
This grant is to be used to train and appoint intern staff members in the finance department of the municipality.		
Housing Development Agency Grant		
Current-year receipts	2 151 484	-
Conditions met - transferred to revenue	(2 151 484)	-
Unspent grant	-	-
The grant is used for the capacitation and support towards a level one accreditation of the housing section.		
Rehabilitation of sewerage network - DWS Grant		
Current-year receipts	8 134 363	-
Conditions met - transferred to revenue	(8 134 363)	-
Unspent grant	-	-
This grant is used for rehabilitation of Kroonstad waste water treatment works.		
Integrated National Electrification Program		
Balance unspent at beginning of year	-	-
Current-year receipts	1 500 000	-
Conditions met - transferred to revenue	(1 500 000)	-
Unspent grant	-	-

Moqhaka Local Municipality

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30. Government grants and subsidies (continued)

Rehabilitation of sewerage network - CoGTA Grant

Current-year receipts	6 500 000	-
Conditions met - transferred to revenue	(3 442 622)	-
	3 057 378	-

This grant is used for rehabilitation of the Kroonstad waste water treatment works.

Conditions still to be met - remain liabilities (see note 18).

31. Public contributions and donations

Public contributions and donations 517 047 5 344 094

Public contributions and donations received from:

Department of Water and Sanitation	-	69 899
AJ Dieseldiens	4 000	-
Wanga Power Projects	6 962	-
Fezile Dabi District Municipality	503 304	-
Mr Gau	2 781	-
De Beers	-	1 445 770
Department of Public Works	-	3 487 352
Department of Arts & Sports	-	44 700
Housing Development Agency	-	286 873
Korone Engineers	-	9 500
	517 047	5 344 094

2021-2022

AJ Dieseldiens donated IT equipment to the value of R 4 000.

Wanga Power Projects donated IT equipment to the value of R 6 962.

Fezile Dabi District Municipality donated machinery and equipment to the value of R 503 304.

Mr. Gau donated furniture and office equipment to the value of R 2 781.

2020-2021

Department of Water and Sanitation donated water tanks to the value of R 69 899.

De Beers Mining Group donated a Water Tanker truck at the value of R 1 445 770.

The Free State Department of Public Works at the value of R 3 487 351.

The Free State Department of Arts and Sports donated pool tables to the value of R 44 700.

The Housing Development Agency donated IT Equipment to the value of R 286 8730.

Korone Engineers donated office furniture to the value of R 9 500.

32. Fines

Illegal Connections Fines	127 642	234 733
Law Enforcement Fines	550 339	269 287
Municipal Traffic Fines	2 703 430	1 529 170
	3 381 411	2 033 190

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Figures in Rand	2022	2021
33. Revenue		
Service charges	555 326 952	512 887 743
Rental of facilities and equipment	5 043 682	4 446 431
Fees	208 378	322 238
Other income	17 265 724	28 144 717
Interest received	31 041 016	25 266 142
Property rates	74 402 755	76 835 758
Government grants and subsidies	313 740 873	316 034 517
Public contributions and donations	517 047	5 344 094
Fines	3 381 411	2 033 190
Fair value adjustments	2 043 982	1 152 660
Gains on employee benefit obligation	925 000	2 371 999
Service charges (Availability charges)	706 989	-
	1 004 603 809	974 839 489
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	555 326 952	512 887 743
Rental of facilities and equipment	5 043 682	4 446 431
Fees	208 378	322 238
Other income	17 265 724	28 144 717
Interest received	31 041 016	25 266 142
Fair value adjustments	2 043 982	1 152 660
Gains on employee benefit obligation	925 000	2 371 999
	611 854 734	574 591 930
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Service charges (Availability charges)	706 989	-
Property rates	74 402 755	76 835 758
Transfer revenue		
Government grants and subsidies	313 740 873	316 034 517
Public contributions and donations	517 047	5 344 094
Fines	3 381 411	2 033 190
	392 749 075	400 247 559

Moqhaka Local Municipality

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Figures in Rand	2022	2021
34. Employee related costs		
Basic salary	196 345 673	184 477 368
13th Cheques	14 751 248	13 789 324
Medical aid - company contributions	19 624 013	18 576 758
UIF	1 737 197	1 480 790
Industrial council levy	110 675	99 167
Leave pay provision charge	5 470 553	6 598 650
Group Life Insurance General	1 115 237	1 279 890
Defined contribution plans	33 287 003	32 029 015
Overtime payments	31 318 920	25 662 871
Long-service awards	628 955	1 962 229
Car allowance	18 108 639	17 547 098
Housing benefits and allowances	1 582 063	1 578 150
Other allowances	19 814	3 309 362
Telephone allowance	532 898	551 250
Standby allowance	2 821 107	2 940 955
	327 453 995	311 882 877

The salaries, allowances and benefits of staff disclosed are within the upper limits of the SALGA bargaining council determinations.

Remuneration of Municipal Manager: M.S Mqwathi (Deceased)

Basic Salary	116 949	923 280
Car Allowance	65 606	393 637
Social Contributions	37 245	223 467
Cellphone allowance	6 000	36 000
Leave day payout	568 740	-
	794 540	1 576 384

2021-2022

During the financial year the following Directors acted as Municipal Manager and received an acting allowance , Mr. M. Mthwalo R 76 226.50, Mr. I. Mokgatle R 92 797.47 and Ms. S. Monyaki R 125 882.01.

2020-2021

During the financial year the following Directors acted as Municipal Manager and received an acting allowance , Mr. M. Mthwalo R 6 742.82, Ms. P. Tshabalala R 12 361.84 and Ms. S. Monyaki R 228 249.13.

Remuneration of Chief Financial Officer: T.R Marumo

Basic Salary	566 052	754 736
Car Allowance	252 403	339 534
Social Contributions	127 866	167 330
Cellphone Allowance	15 300	20 400
Leave days payout	419 633	-
	1 381 254	1 282 000

2021-2022

Mr. J. Maswanganyi received an acting allowance as the Acting Chief Financial Officer for the period April - June to the amount of R 39 763.47.

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34. Employee related costs (continued)

Executive Director: Technical Services: L.D Nqwenya (Resigned)

Basic Salary	-	499 133
Car Allowance	-	79 685
Housing Allowance	-	42 022
Social Contributions	-	50 992
Cellphone Allowance	-	4 000
	<u>-</u>	<u>675 832</u>

Executive Director: Technical Services: I.S Mokgatle

Basic Salary	817 610	-
Car Allowance	481 193	-
Social Contributions	124	-
Cellphone Allowance	19 304	-
	<u>1 318 231</u>	<u>-</u>

Executive Director: Corporate Services: M.E Mthwalo

Basic Salary	642 279	754 736
Car Allowance	249 763	334 254
Social Contributions	127 866	170 488
Cellphone Allowance	15 000	12 000
Leave days payout	445 294	-
	<u>1 480 202</u>	<u>1 271 478</u>

2021-2022

Mr. R. Odendaal received an acting allowance as the Acting Director Corporate Services for the period April - June to the amount of R 28 656.42.

Executive Director: Community Services: P.H Tshabalala

Basic Salary	566 052	754 736
Car Allowance	128 083	242 729
Social Contributions	42 093	53 719
Housing Allowance	207 597	206 753
Cellphone Allowance	9 000	12 000
Leave days payout	384 916	-
	<u>1 337 741</u>	<u>1 269 937</u>

2021-2022

Mr. T. Qhena received an acting allowance as the Acting Director Community Services for the period April - June to the amount of R 29 838.54.

Moqhaka Local Municipality

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34. Employee related costs (continued)

Executive Director: LED and Planning: S.J Monyaki

Basic Salary	691 934	754 736
Car Allowance	252 000	336 000
Social Contributions	93	-
Housing Allowance	123 945	165 373
Cellphone Allowance	19 696	30 000
Leave days payout	150 947	-
	1 238 615	1 286 109

2021-2022

Mr. T. Leie received an acting allowance as the Acting Director LED and Planning services for the period July - December and April - June to the amount of R 60 600.81.

35. Remuneration of councillors

Executive Mayor	914 469	862 530
Speaker	745 136	627 046
Council Whip	699 496	714 787
Councillors	17 126 975	17 506 916
	19 486 076	19 711 279

Moqhaka Local Municipality

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35. Remuneration of councillors (continued)

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council-owned vehicle for official duties.

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

The Speaker has one full-time driver.
The Speaker has the use of a Council-owned vehicle for official duties.

Executive Mayor: Cllr M.E Mokatsane

Basic Salary	332 854	-
Car Allowance	160 847	-
Social Contributions	61 448	-
Cellphone Allowance	26 446	-
	581 595	-

Executive Mayor: Cllr M.S Chakane (Terminated)

Basic Salary	200 094	502 342
Car Allowance	86 605	245 959
Social Contributions	32 576	93 704
Cellphone Allowance	13 600	40 800
	332 875	882 805

Executive Mayor: Cllr P.J Phooko (Deceased)

Basic Salary	-	108 330
Car Allowance	-	52 480
Social Contributions	-	16 288
Cellphone Allowance	-	11 100
	-	188 198

Speaker: Cllr S.V Khiba

Basic Salary	427 716	421 598
Car Allowance	195 181	198 622
Social Contributions	78 848	79 961
Cellphone Allowance	43 391	44 400
	745 136	744 581

Moqhaka Local Municipality

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Figures in Rand	2022	2021
35. Remuneration of councillors (continued)		
Members of Mayoral Committee (MMC)		
MMC: Council Whip: Cllr M.M Semakale		
Basic Salary	251 087	-
Car Allowance	118 601	-
Social Contributions	49 183	-
Cellphone Allowance	26 118	-
	444 989	-
MMC: Council Whip: Cllr S.B Tladi (Terminated)		
Basic Salary	150 323	402 232
Car Allowance	63 513	190 540
Social Contributions	25 872	77 615
Cellphone Allowance	14 800	44 400
	254 508	714 787
MMC: Community and Social Services: Cllr M.A Khotle		
Basic Salary	244 922	-
Car Allowance	115 416	-
Social Contributions	47 866	-
Cellphone Allowance	28 591	-
	436 795	-
MMC: Community and Social Services: Cllr V.L Mpondo (Terminated)		
Basic Salary	150 323	402 232
Car Allowance	63 513	190 540
Social Contributions	25 872	77 615
Cellphone Allowance	14 800	44 400
	254 508	714 787
MMC: Public Safety and Transport: Cllr E.P Phamotse		
Basic Salary	244 922	-
Car Allowance	115 416	-
Social Contributions	47 866	-
Cellphone Allowance	28 591	-
	436 795	-
MMC: Public Safety and Transport: Cllr Z.S Magadlela (Terminated)		
Basic Salary	150 323	402 232
Car Allowance	63 513	190 540
Social Contributions	25 872	77 615
Cellphone Allowance	14 800	44 400
	254 508	714 787
MMC: Integrated Development Plan: Cllr M.R Lulama		
Basic Salary	244 922	-
Car Allowance	115 416	-
Social Contributions	47 866	-
Cellphone Allowance	28 591	-
	436 795	-
MMC: Integrated Development Plan: Cllr S Mokoena (Terminated)		
Basic Salary	150 323	402 232

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35. Remuneration of councillors (continued)		
Car Allowance	63 513	190 540
Social Contributions	25 872	77 615
Cellphone Allowance	14 800	44 400
	254 508	714 787
MMC: Municipal Infrastructure and Technical Services: Cllr B.S Ramathibe		
Basic Salary	395 244	234 635
Car Allowance	178 929	111 148
Social Contributions	74 130	45 275
Cellphone Allowance	43 391	25 901
	691 694	416 959
MMC: Local Economic Development: Cllr R.D Tau		
Basic Salary	244 922	-
Car Allowance	115 416	-
Social Contributions	47 866	-
Cellphone Allowance	28 591	-
	436 795	-
MMC: Local Economic Development: Cllr Z.J.C Manefelt (Terminated)		
Basic Salary	150 323	402 232
Car Allowance	63 513	190 540
Social Contributions	25 872	77 615
Cellphone Allowance	14 800	44 400
	254 508	714 787
MMC: Spatial Development and Human Settlement: Cllr M.P Tshabalala		
Basic Salary	244 922	-
Car Allowance	115 416	-
Social Contributions	47 866	-
Cellphone Allowance	28 591	-
	436 795	-
MMC: Spatial Development and Human Settlement: Cllr K.L Kokami (Terminated)		
Basic Salary	150 323	402 232
Car Allowance	63 513	190 540
Social Contributions	25 872	77 615
Cellphone Allowance	14 800	44 400
	254 508	714 787
MMC: Policy Development and Monitoring: Cllr M Mbona		
Basic Salary	244 922	-
Car Allowance	115 416	-
Social Contributions	47 866	-
Cellphone Allowance	28 591	-
	436 795	-
MMC: Policy Development and Monitoring: Cllr E.R Moletsane (Terminated)		
Basic Salary	150 323	402 232
Car Allowance	63 513	190 540
Social Contributions	25 782	77 615
Cellphone Allowance	14 800	77 400
	254 418	747 787

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Figures in Rand	2022	2021
35. Remuneration of councillors (continued)		
MMC: Finance, Audit and Risk Management: Cllr T.M Ntsala		
Basic Salary	244 922	-
Car Allowance	115 416	-
Social Contribution	47 866	-
Cellphone Allowance	28 591	-
	436 795	-
MMC: Finance, Audit and Risk Management: Cllr B Rooskrans (Terminated)		
Basic Salary	150 323	402 232
Car Allowance	63 513	190 540
Social Contribution	25 782	77 615
Cellphone Allowance	14 800	77 400
	254 418	747 787
MMC: Corporate Support Services: Cllr L.E Ramajoe		
Basic Salary	252 360	-
Car Allowance	115 416	-
Social Contributions	47 866	-
Cellphone Allowance	28 591	-
	444 233	-
MMC: Corporate Support Services: Cllr M.S Mahlatsi (Terminated)		
Basic Salary	150 323	234 635
Car Allowance	63 513	111 148
Social Contributions	25 782	45 275
Cellphone Allowance	14 800	25 901
	254 418	416 959
MMC: Corporate Support Services: Cllr MM Green (Terminated)		
Basic Salary	-	100 558
Car Allowance	-	47 635
Social Contributions	-	15 084
Cellphone Allowance	-	10 200
	-	173 477
MPAC Chairperson: Cllr A.V Botha		
Basic Salary	293 203	-
Car Allowance	92 854	-
Social Contribution	41 315	-
Cellphone Allowance	28 591	-
	455 963	-
MPAC Chairperson: Cllr M.L Pietersen (Terminated)		
Basic Salary	145 942	390 443
Car Allowance	61 481	184 443
Social Contribution	25 282	75 845
Cellphone Allowance	14 800	44 400
	247 505	695 131
Part time Councillors		
Basic Salary	5 398 286	5 426 733
Car Allowance	2 142 790	2 243 763
Social Contribution	1 297 594	1 336 187

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35. Remuneration of councillors (continued)		
Cellphone Allowance	1 351 231	1 395 966
	10 189 901	10 402 649
36. Repairs and maintenance		
Repairs and maintenance	85 773 289	79 475 539
Repairs and maintenance consists of:		
Buildings	4 602 179	2 986 030
Electrical Network	18 637 402	18 207 415
Water and Sewer Network	45 572 553	41 732 031
Fleet	9 975 529	11 047 686
Roads	4 788 793	3 971 462
Other repairs and maintenance	2 196 831	1 530 915
	85 773 287	79 475 539
37. Depreciation and amortisation		
Property, plant and equipment	108 058 749	110 026 009
Intangible assets	423 758	316 703
	108 482 507	110 342 712
38. Impairment loss on assets		
Impairments		
Property, plant and equipment	13 390 723	143 485
39. Finance costs		
Landfill sites and quarries	2 421 835	1 715 687
Late payment of creditors	60 720 340	4 152 061
Annuity loans and finance leases	2 556 176	2 668 815
Employee benefits	5 555 000	4 845 422
Other interest paid	2 643 672	17 985 640
	73 897 023	31 367 625
40. Debt impairment		
Receivables from exchange transactions	64 707 902	79 096 991
Receivables from non-exchange transactions	2 175 164	1 392 333
	66 883 066	80 489 324
41. Bulk purchases		
Electricity - Eskom	336 621 161	291 408 322
Water	26 319	34 635
	336 647 480	291 442 957

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42. Contracted services		
Specialist Services	45 630 644	44 155 685
Other Contractors	26 010 932	9 599 460
	71 641 576	53 755 145
Specialist Services		
Security Services	43 721 326	42 473 126
Maintenance Services	1 909 318	1 682 559
	45 630 644	44 155 685
Other Contractors		
Professional Services	1 044 695	6 750
Electricity Vending Services	12 682 019	2 638 708
Water Chemicals	5 471 020	6 120 775
Other Contracted Services	6 591 199	506 629
Valuation Services	222 000	326 600
	26 010 933	9 599 462
43. Loss on disposal of assets		
Property, plant and equipment	775 031	497 938
Investment property	228 500	-
Vacant Sites	3 167 700	52 887
	4 171 231	550 825
44. General expenses		
Advertising	627 489	874 063
Auditors remuneration	7 860 825	8 767 941
Bank charges	1 080 903	1 585 985
Cleaning	75 243	99 833
Legal services	3 517 627	2 724 787
Consumables stores	7 731 001	15 678 254
Entertainment	192 984	34 642
Lease rentals on operating lease	9 064 063	7 291 964
Insurance	4 614 403	3 652 648
Committee expenses	125 001	72 779
Travel and subsistence	1 045 703	308 047
Funeral expenses	109 130	238 906
Medical expenses	518 479	328 698
Fuel and oil	7 604 680	3 606 839
Postage and courier	475 697	1 286 944
Printing and stationery	60 875	110 939
Protective clothing	2 798 245	1 172 046
Subscriptions and membership fees	3 202 866	3 173 806
Telephone and fax	1 549 864	1 572 989
Provision for rehabilitation adjustment	2 347 416	-
Commission paid	16 427 157	13 970 112
Workmen's compensation	1 273 456	1 237 150
Licences - other	4 510 075	4 167 709
Licences - vehicles	712 538	907 309
Skills development levy	2 838 707	2 657 532
Other expenses	8 171 922	4 271 144
	88 536 349	79 793 066

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Notes to the Annual Financial Statements

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45. Auditors' remuneration		
Fees	7 860 825	8 767 941
46. Cash generated from operations		
Surplus / (deficit)	(194 582 384)	(84 115 345)
Adjustments for:		
Depreciation and amortisation	108 482 507	110 342 712
Loss on disposal of assets	4 171 493	550 825
Public contributions and donations	(517 047)	(5 344 095)
Discount received	(404 257)	(66 107)
Fair value adjustments	(2 043 982)	(1 152 660)
Property, plant and equipment	5 647 634	672 010
Finance costs	73 897 023	31 367 625
Impairment loss on assets	13 390 723	143 485
Debt impairment	66 883 066	80 489 324
Gains (Loss) on employee benefit obligation	1 897 878	(2 371 999)
Provision raised	1 592 635	(9 592 875)
Prior period adjustments	-	26 731 985
Receivables from exchange transactions	(29 890 173)	(24 386 488)
Changes in working capital:		
Inventories	(10 653 121)	(3 128 545)
Receivables from exchange transactions	(84 448 378)	(120 372 695)
Other receivables from non-exchange transactions	(10 472 704)	(17 289 129)
Unspent conditional grants and receipts	(14 516 424)	2 868 259
Payables from exchange transactions	644 221 092	94 090 898
Interest concession	(115 289 547)	-
Consumer debtors	972 401	419 014
Employee benefit obligation	(3 321 715)	(4 408 227)
Eskom payment arrangement	(327 653 727)	-
VAT	(28 887 202)	(1 610 253)
	98 475 791	73 837 719
47. Irregular expenditure		
Opening balance	771 354 551	634 190 864
Add: Irregular Expenditure - current year	120 483 256	137 163 687
Closing balance	891 837 807	771 354 551

Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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47. Irregular expenditure (continued)

Irregular expenditure incurred during the financial year

Irregular expenditure disclosure figure should be added indicating that Irregular expenditure is always calculated inclusive of VAT. The figures disclosed above have been presented in this set of AFS inclusive of VAT.

Deviations	157 378	184 394
Incorrect awarding of BBEEE points ((25% subcontracting)	1 166 005	9 430 263
Local content instruction notes were not followed	12 530 624	17 689 508
Municipal rates and lease agreements not in order	-	6 813 682
Non-compliance with the PPPFA Act and Section 112 of the MFMA for the use of panels	36 045 756	44 084 708
Other irregular expenditure non-compliances	-	3 252 255
Tax clearance not obtained	886 758	2 483 134
Tender documents did not include the requirements for mandatory subcontracting	35 816 730	42 163 648
Tender were not advertised for required number of days	7 587 926	10 998 181
SCM competitive bidding process was not followed to re-appoint contractor	2 423 395	-
Objective test not stipulated in the bid documentation	22 301 041	-
Three written quotations not invited	1 567 643	63 914
	120 483 256	137 163 687

48. Fruitless and wasteful expenditure

Opening balance	28 836 224	35 364 172
Add: Fruitless and wasteful expenditure - current	29 686 263	5 386 711
Add: Fruitless and wasteful expenditure identified - prior period	108 249	-
Less: Amount written off - current	-	(11 914 659)
Closing balance	58 630 736	28 836 224

Details of fruitless and wasteful expenditure

Interest and penalties	19 428 044	5 386 711
Arbitration awards	108 249	-
Refurbishment of the Kroonstad Waste Water Treatment Works	10 258 219	-
	29 794 512	5 386 711

49. Unauthorised expenditure

Opening balance	347 616 301	270 922 434
Add: Unauthorised expenditure - current year	103 156 372	76 693 867
Add: Unauthorised expenditure - prior period	1 000 000	-
Closing balance	451 772 673	347 616 301

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

Non-cash	103 156 372	74 321 823
Cash	-	2 372 044
	103 156 372	76 693 867

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49. Unauthorised expenditure (continued)

Unauthorised Expenditure per Department

Financial Services	53 753 185	-
Municipal Manager	-	2 387 735
Corporate Services	-	2 147 511
Council	8 443 503	-
Technical Services	40 959 684	72 158 621
	103 156 372	76 693 867

Analysed as follows: Non-cash

Depreciation and amortisation	40 959 684	74 321 823
Finance charges (e.g. interest charge on the Eskom account)	53 753 185	-
Impairment loss on assets	8 443 503	-
	103 156 372	74 321 823

50. Deviation from Supply Chain Management Regulations

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

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

During the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Description	Number of	Deviations
	Deviations	2022
Emergency	8	2 336 613
Sole Supplier	19	517 996
Urgent	49	3 434 716
	76	6 289 325

Description	Number of	Deviations
	Deviations	2021
Emergency	1	10 580
Sole Supplier	24	715 852
Urgent	45	5 885 452
	70	6 611 884

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51. Prior-year adjustments

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

Statement of financial position

2021

	Note	As previously reported	Correction of error	Statement of financial performance	Re-classification	Restated
Vat receivable	8	94 809 652	(5 364 808)	-	-	89 444 844
Receivables from non-exchange transactions	7	63 678 864	6 386 280	-	(11 155 809)	58 909 335
Receivables from exchange transactions	6	335 512 025	-	-	11 155 809	346 667 834
Property, plant and equipment	12	1 993 617 609	(5 237 195)	-	-	1 988 380 414
Payables from exchange transactions	16	(652 537 592)	(11 674 434)	-	428 988 842	(235 223 184)
Provisions	17	(107 907 011)	351 510	-	-	(107 555 501)
Unspent conditional grants and receipts	18	(10 690 946)	(8 647 628)	-	-	(19 338 574)
Employee benefit obligations	19	(62 399 827)	647 500	-	-	(61 752 327)
Eskom payment arrangement	20	-	-	-	(327 653 727)	(327 653 727)
Interest concession	21	-	-	-	(115 289 547)	(115 289 547)
Accumulated surplus		(1 852 148 140)	5 692 612	31 800 594	-	(1 814 654 934)
		(198 065 366)	(17 846 163)	31 800 594	(13 954 432)	(198 065 367)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Other income	26	(24 790 060)	(351 510)	(3 003 147)	(28 144 717)
Gains on employee benefit obligations	28	(6 621 274)	4 249 275	-	(2 371 999)
Government grants and subsidies	30	(324 682 143)	8 647 626	-	(316 034 517)
Employee related costs	34	311 566 105	316 772	-	311 882 877
Repairs and maintenance	36	76 665 556	2 809 983	-	79 475 539
General expenditure	44	77 911 222	1 974 771	(92 927)	79 793 066
Contracted services	42	53 253 460	199 245	302 440	53 755 145
Finance costs	39	13 381 985	-	17 985 640	31 367 625
Grants and subsidies paid		1 237 574	-	(1 237 574)	-
		177 922 425	17 846 162	13 954 432	209 723 019

Errors

A number of prior period errors were corrected during the year ending 30 June 2022. The details of the retrospective prior period errors adjusted are reflected below.

Moqhaka Local Municipality

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51. Contingencies (continued)

The following prior period errors adjustments occurred:

Receivables from non-exchange transactions, Property, plant and equipment

An advance payment was incorrectly classified against Property, plant and equipment. The final set of corrections were not accepted by the Auditor General as it did not include the VAT and conditional grants correction. The correction had to be reversed resulting in the increase of Property, plant and equipment the amount of R 2 230 272, and the decrease of Receivables from non-exchange transactions to the amount of (R 2 230 272).

VAT receivables, Receivables from non-exchange transactions, Property, plant and equipment, Unspent conditional grants and receipts, Government grants and subsidies

An advance payment made from the Municipal Infrastructure Grant was incorrectly classified to Property, plant and equipment. A correction was done accordingly resulting in the increase of Receivables from non-exchange transactions to the amount of R 6 082 814, the decrease of Property, plant and equipment to the amount (R 5 289 403), the decrease of VAT receivables to the amount of (R 793 411), the decrease of Government grants and subsidies to the amount of R 6 082 814, and the increase of Unspent conditional grants and receipts to the amount of (R 6 082 814).

VAT receivables, Receivables from non-exchange transactions, Property, plant and equipment, Unspent conditional grants and receipts, Government grants and subsidies

An advance payment made from the Water Services Infrastructure Grant was incorrectly classified to Property, plant and equipment. A correction was done accordingly resulting in the increase of Receivables from non-exchange transactions to the amount of R 2 564 812, the decrease of Property, plant and equipment to the amount (R 2 230 272), the decrease of VAT receivables to the amount of (R 334 541), the decrease of Government grants and subsidies to the amount of R 2 564 812, and the increase of Unspent conditional grants and receipts to the amount of (R 2 564 812).

VAT receivables , Accumulated surplus

An unknown balance roll forwarded since 2018. A correction was done accordingly resulting in the decrease of VAT receivables to the amount of (R 2 855 209) and the increase of Accumulated surplus to the amount of R 2 855 209.

Employee benefit obligations, Employee related costs

The bonus accrual for the prior year was overstated. A correction was done accordingly resulting in the decrease of Employee benefit obligations the amount of R 647 501 and the decrease of Employee related costs to the amount of (R 647 501).

Payables from exchange transactions, Contracted services, General expenditure, Repairs and maintenance

Payables from exchange transactions were understated in the prior year. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 3 227 935), the increase Contracted services to the amount of R 199 244, the increase General expenditure to the amount of R 1 953 646, and the increase of Repairs and maintenance to the amount of R 1 075 045.

Receivables from non-exchange transactions, General expenditure

Insurance were wrongly allocated in the prior year. A correction was done accordingly resulting in the decrease of Receivables from non-exchange transactions to the amount of (R 21 126) and the increase of General expenditure to the amount of R 21 126.

Payables from exchange transactions, Repairs and maintenance

Payables from exchange transactions were understated in the prior year. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 1 507 246) and the increase of Repairs and maintenance to the amount of R 1 507 246.

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51. Contingencies (continued)

VAT receivables, Payables from exchange transactions

VAT was overstated in the prior year. A correction was done accordingly resulting in the decrease of VAT receivables to the amount of (R 1 381 648) and the decrease of Payables from exchange transactions the amount of R 1 381 648.

Payables from exchange transactions, Property, plant and equipment

Retentions was not recognised in the prior year. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 220 806) and the increase of Property, plant and equipment to the amount of R 220 806.

Accumulated surplus, Property, plant and equipment

There was an error on the Steynsrus Fencing Project. A correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 121 499) and the increase of Accumulated surplus to the amount of R 121 499.

Accumulated surplus, Property, plant and equipment

There was an error on the Sewer Treatment Project. A correction was done accordingly resulting in the decrease of Property, plant and equipment to the amount of (R 47 289) and the increase of Accumulated surplus to the amount of R 47 289.

Provisions, Other income

There was an error on the Quarry provision. A correction was done accordingly resulting in the decrease of Provisions to the amount of R 351 510 and the increase of Other income to the amount of (R 351 510).

Gains on employee benefit obligation, Payables from exchange transactions

Payments for medical aid for pensioners were not recognised. A correction was done accordingly resulting in the decrease of Gains on employee benefit obligation to the amount of R 4 249 275 and the increase of Payables from exchange transactions the amount of (R 4 249 275).

Employee related costs, Payables from exchange transactions

Wages paid to temporary staff were not recognised. A correction was done accordingly resulting in the increase of Employee related costs to the amount of R 964 2725 and the increase of Payables from exchange transactions the amount of (R 964 272).

Payables from exchange transactions, Repairs and maintenance

Payables from exchange transactions were understated in the prior year. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 227 692) and the increase of Repairs and maintenance to the amount of R 227 692.

Payables from exchange transactions, Accumulated surplus

Third party payments were understated in the prior year. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 1 250 909) and the increase of Accumulated surplus to the amount of R 1 250 90.

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51. Contingencies (continued)

Reclassifications

The following reclassifications adjustment occurred:

Payables from exchange transactions, Eskom payment arrangement, Other income, Finance cost, Interest concession

The Eskom payment arrangement were incorrectly classified to Payables from exchange transactions. A correction was done that resulted in the decrease of Payables from exchange transactions to the amount of R 428 988 842, the increase in Eskom payment arrangement to the amount of (R 327 653 727), the increase of Other income to the amount of (R 4 03 1208), the increase of Interest concession to the amount of (R 115 289 547) and the increase of Finance cost to the amount of R 17 985 640.

Receivables form exchange transactions, Receivables form non exchange transactions

Prepayments were incorrectly classified to Receivables form non exchange transactions. A correction was done that resulted in the decrease of Receivables from non-exchange transactions to the amount of (R 11 155 809) and the increase in Receivables form exchange transactions to the amount of R 11 155 809.

Grants and subsidies paid, Contracted services, General expenditure

The FMG grant were incorrectly disclosed as a separate line item. A correction was done that resulted in the decrease of Grants and subsidies paid to the amount of (R 1 237 574), the increase in Contracted services to the amount of R 302 440 and the increase of General expenditure to the amount of R 935 134.

General expenditure, Other income

Inventory losses were incorrectly disclosed under other income. A correction was done that resulted in the decrease of Other income to the amount of R 1 028 061 and the decrease of General expenditure to the amount of (R 1 028 601).

Disclosure notes

Capital commitments.

The capital commitments were overstated with disbursements paid to the engineers and retention included at incorrect amounts. A correction was done accordingly that resulted in a decrease of capital commitments to the amount of (R8 216 694).

Other commitments

Other commitments were incorrectly included in the annual financial statements. A correction was done accordingly that resulted in a decrease of other commitments to the amount of (R41 616 026).

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52. Commitments		
Capital commitments		
Approved and contracted for:		
• Infrastructure	199 590 146	193 806 146
Approved and not contracted for:		
• Infrastructure	18 818 218	40 581 154
Total capital commitments		
Approved and contracted for	199 590 146	193 806 146
Approved and not contracted for	18 818 218	40 581 154
	218 408 364	234 387 300
Total commitments		
Total commitments		
Authorised capital expenditure	218 408 364	234 387 300
Infrastructure commitments approved and contracted for will be funded by grants from government.		
53. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government - SALGA		
Opening balance	25 100	221 940
Current year fee	3 156 303	2 924 300
Amount paid - current year	(3 149 098)	(3 121 140)
	32 305	25 100
Audit fees		
Opening balance	9 197 104	9 987 376
Current year fee	5 223 865	10 028 281
Interest charged	11 546	517 228
Amount paid - current year	(6 789 343)	(1 348 405)
Amount paid - previous years	(9 197 104)	(9 987 376)
	(1 553 932)	9 197 104
PAYE and UIF		
Opening balance	3 705 637	3 508 684
Current year payroll deductions	50 886 201	47 258 467
Amount paid - current year	(50 996 255)	(47 061 514)
	3 595 583	3 705 637
Pension and Medical Aid Deductions		
Opening balance	6 755 165	6 391 246
Current payroll deductions	82 961 509	80 482 383
Amount paid - current year	(82 686 132)	(80 118 464)
	7 030 542	6 755 165

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53. Eskom payment arrangement (continued)

Skills Development Levy

Opening balance	214 838	205 753
Current payroll deductions	2 839 070	2 656 793
Amount paid - current year	(2 816 361)	(2 647 708)
	237 547	214 838

Distribution losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Technical losses 4% (2021: 4%).

Non-Technical losses 12.24% (2021: 3.09%).

Estimated line losses	18 657 181	16 442 839
Losses due to faulty meters, tampering or theft	57 048 353	12 712 404
	75 705 534	29 155 243

Estimated water losses suffered by the municipality for the year under review is are follows:

Water losses 71.10% (2021: 46%).

Estimated water losses	42 387 110	21 673 734
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53. Eskom payment arrangement (continued)

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding more than 90 days
Mosolodi (Nzunga ND) SL	16 325
Botha RA	2 329
Khiba MJ	20 378
Khotle MI	20 995
Klaas TL	24 987
Lebone B	11 312
Maleeme ML	48 121
Marapo BB&MM	6 468
Mbona NK	6 867
Meko MJ	94 691
Mnqonyama E	55 778
Mofokeng MC	42 230
Mokatsane ELM	89 667
Mokoena NM	51 042
Morake ME	83 093
Mosiua TD&S	23 685
Nolo MM	17 711
Ntsala SN	57 684
Papashane TJ	10 576
Phamotse MI	102 570
Ramajoe MS	2 230
Ramoolla MW	2 315
Rankokosane BN	3 019
Saaiman CJ	47 533
Sekheja L	57 622
Serapela MS&ML	109 924
Thebe EM	25 997
Tshabalala S	61 382
Tsobo NE	10 311
Visagie AJ	37 017
Motsoeneng DM&NL	12 300
	1 156 159

30 June 2021	Outstanding more than 90 days
Mareka Justice (Deceased)	32 837
Moloi (CLR Khunyeli JM) MP	2 875
Khasoli MM(D)	1 377
Geldenhuis J	2 569
Mpondo EM	3 673
Mofokeng ST(TA)	33 310
Mokoena S	18 194
Mntuze C	11 060
Mokotedi (Mokotedi MV) MI	6 564
Ramathibe MS	9 687
Mosolodi (Nzunga ND) SL	17 871
	140 017

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53. Eskom payment arrangement (continued)

Non-compliance with the Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified

Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c)

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency, urgency or sole supplier.

Municipal Finance Management Act section 116(2)(b), (c)

The performances of all contractors were not monitored on a monthly basis

Municipal Finance Management Act section 65 (e)

Creditors were not paid in 30 days as required by the Act

Municipal Finance Management Act section 52(d)

The budget implementation and state of financial affairs submission was not in accordance with the prescribed time frame.

54. Going concern

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

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 1 620 072 542 and that the municipality's total assets exceed its liabilities by R 1 620 072 542.

The municipality incurred a deficit for the current financial year of R 194 582 384 and R 84 115 345 in the previous financial year.

The current liabilities amounting to R 982 539 665 exceeds current assets of R 719 330 707 by R 263 208 958.

The receivables from exchange transactions increased from R 929 908 598 to R 1 053 751 644, which resulted in a 13% increase as at 30 June 2022. The impairment provision also increased from R 584 769 588 to R 656 751 410 (12% increase) as at 30 June 2022.

The payables from exchange transactions increased from R 235 223 184 to R 942 404 039 which results in a 300% increase. This is as a result of the Eskom arrangement which has been separately disclosed in the Statement of Financial Position as at 30 June 2021. The creditors' payment period also increased from 146 days to 542 days as at 30 June 2022. The payables from exchange transactions outstanding for a period longer than 30 days amounted to R 843 116 279 (93%).

The cash equivalents amounted to R 41 563 356 as 30 June 2022 (2021: R 32 729 244).

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

Despite the material uncertainties which cast a significant doubt on the municipality's ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2022, as there are no current indications that government funding will be withheld from the municipality for any reason.

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55. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	399 131 142	-	399 131 142
Receivables from non-exchange transactions	-	64 374 216	-	64 374 216
Cash and cash equivalents	-	-	41 563 356	41 563 356
Investments	393 566	-	-	393 566
	393 566	463 505 358	41 563 356	505 462 280

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposit	14 413 657	-	14 413 657
Finance lease obligation	3 359 029	-	3 359 029
Provisions	111 569 971	-	111 569 971
Borrowings	-	24 411 635	24 411 635
Payables form exchange transactions	-	942 404 039	942 404 039
Unspent conditional grants and receipts	4 822 150	-	4 822 150
	134 164 807	966 815 674	1 100 980 481

2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	346 667 834	-	346 667 834
Receivables from non-exchange transactions	-	58 909 335	-	58 909 335
Cash and cash equivalents	-	-	32 729 244	32 729 244
Investments	358 738	-	-	358 738
	358 738	405 577 169	32 729 244	438 665 151

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposit	13 441 256	-	13 441 256
Finance lease obligation	175 105	-	175 105
Provisions	107 555 501	-	107 555 501
Borrowings	-	28 455 459	28 455 459
Payables form exchange transactions	-	235 223 184	235 223 184
Unspent conditional grants and receipts	19 338 574	-	19 338 574
Eskom payment arrangement	327 653 727	-	327 653 727
Interest concession	115 289 547	-	115 289 547
	583 453 710	263 678 643	847 132 353

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56. Subsequent Events

The municipality held an auction on the 24 August 2022. The purpose of which was to dispose of assets and scrap material which was no longer in use. The auction was conducted by Auction24.

The municipality is in the process of finalising a new payment arrangement with Eskom whereby the municipality will agree to make total payments of R 714 312 314.36 to Eskom over 11 years, in addition to servicing the monthly electricity bulk account. At the date of the financial statements, Eskom has not approved the new proposed payment arrangement terms with the municipality.

57. Contingencies

Contingent liabilities - pending claims

The municipality is a defendant against various claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Contingent liabilities

Claims by individuals due to damage of property in various incidents	21 822 091	2 521 866
Claims from suppliers - contractual disputes	11 798 254	7 349 596
	33 620 345	9 871 462

Contingent assets

The municipality is a claimant against the Insure Guardrisk .The claims are being contested based on legal advice.

The certainty and the timing of the inflow of these assets are uncertain. The amounts disclosed below are possible inflow amounts.

Contingent assets

Claims against Guardrisk Insurance	36 053 580	36 053 580
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58. Budget differences

Material differences between budget and actual amounts

Refer to the Statement of Comparison of Budget and Actual Amounts in the annual financial statements for an analysis of budget versus the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to Appendix E to the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to Appendix E to the annual financial statements.

59. Related parties

Key management information

Executive Mayor	1
Councillors	44
Municipal Manager	0
Section 57 Managers	1

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60. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 15, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments.

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

The municipality manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecast cash flows.

Financial Liabilities

	2022	2021
Payables form exchange transactions	942 404 039	235 223 184
Finance lease	3 359 029	175 105
DBSA Loans	24 411 635	28 455 459
Eskom payment arrangement	-	327 653 727
Interest concession	-	115 289 547

The municipality is in arrears with servicing of the Eskom debt. The municipality entered into a repayment arrangement to repay the outstanding debt. Due to cash flow constraints, it has been a challenge for the municipality to keep up with the Eskom payments which can lead to the repayment plan lapsing due to non-payment.

The municipality defaulted on its DBSA loan agreement in the current financial year. The DBSA loan carries fixed interest rate at 9% per annum. In mitigating the risk of non-payment, the municipality did hold bilaterals with DBSA regarding the loan account and a debit order was signed to ensure that the loan repayments are honored on a monthly basis, which also takes into account the arrear loan repayment so as to ensure that the loan is paid up by the redemption date.

Credit risk

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60. Risk management (continued)

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties is monitored regularly.

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

Credit risk relating to trade receivables is managed in accordance with the municipalities' credit control and debt collection policy. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad earned doubtful debt. Additional information relating to the analysis of consumer debtors is given in note 6 to the annual financial statements.

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

Financial instrument	2022	2021
Cash and cash equivalents	41 563 356	32 729 244
Investments	393 566	358 738
Receivables from exchange transactions	399 131 142	346 667 834
Receivables from non-exchange transactions	64 374 216	58 909 335

61. Segment information

General information

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61. Segment information (continued)

Identification of segments

The municipality is organised into six functional directorates for management purposes. The directorates are Municipal Manager, Finance, Corporate Services, Community and Social Services, Technical Services, and Local Economic Development and Planning Services.

Only the Community and Social Services, Technical Services, and Local Economic Development and Planning Services directorates have been identified as reportable segments. Management monitors the operating results of these units to make decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The Municipal Manager, Finance, Corporate Services directorates are the governance and administration units of the municipality. However, they are not reportable segments; their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The three reportable segments comprise of:

- Community and social services, which include sport and recreation, public safety, refuse removal, street cleaning and cemeteries;
- Technical services which include energy sources, water management, and wastewater management; and
- Local economic development and planning services, which include planning and development, housing, and the Kroonpark resort.

Management does not monitor financial performance geographically and does not have reliable separate financial information.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

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 Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Local economic development and planning services
Segment 2	Technical services
Segment 3	Community and social services
Segment 4	Governance & Administration (Not reportable Segment)

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61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Local economic development and planning services	Technical services	Community and social services	Governance & Administration (Not reportable Segment)	Total
Revenue					
External revenue from exchange transactions	13 404 865	521 442 743	40 917 891	5 048 217	580 813 716
External revenue from non-exchange transactions	2 151 484	80 351 323	2 703 430	307 542 840	392 749 077
Interest revenue	-	21 100 558	3 428 949	6 511 509	31 041 016
Revenue from transactions with other segments	-	18 021 410	557 143	-	18 578 553
Total segment revenue	15 556 349	640 916 034	47 607 413	319 102 566	1 023 182 362
Entity's revenue					1 023 182 362
Expenditure					
Bulk Purchases	47 775	336 130 960	468 745	-	336 647 480
Debt impairment	-	63 313 895	2 323 958	1 245 213	66 883 066
Depreciation and amortisation	226 945	97 306 454	6 732 002	4 217 108	108 482 509
Employee Related Cost	25 738 061	100 542 012	103 684 618	100 312 192	330 276 883
Expenditure from transactions with other segments	8 579 976	8 924 878	1 069 330	4 469	18 578 653
Interest expense	-	2 643 672	7 976 835	63 276 516	73 897 023
Other operational expenses	2 773 295	48 481 534	60 251 776	66 233 262	177 739 867
Remuneration of Councillors	-	-	-	19 486 076	19 486 076
Repairs and maintenance	2 778 419	70 736 725	9 638 531	2 619 613	85 773 288
Total segment expenditure	40 144 471	728 080 130	192 145 795	257 394 449	1 217 764 845
Total segmental surplus/(deficit)	(24 588 122)	(87 164 096)	(144 538 382)	61 708 117	(194 582 483)

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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61. Segment information (continued)

2021

	Local economic development and planning services	Technical services	Community and Social Services	Governance and Administration (Not reportable segment)	Total
Revenue					
External revenue from exchange transactions	8 303 585	484 263 859	52 848 615	3 909 726	549 325 785
External revenue from non-exchange transactions	286 873	107 970 648	19 921 515	272 068 528	400 247 564
Interest revenue	-	16 981 531	2 822 246	5 462 364	25 266 141
Revenue from transactions with other segments	-	14 382 861	532 372	-	14 915 233
Total segment revenue	8 590 458	623 598 899	76 124 748	281 440 618	989 754 723
Entity's revenue					989 754 723
Expenditure					
Bulk Purchases	34 425	290 982 925	425 608	-	291 442 958
Debt Impairment	-	78 417 068	1 433 272	638 983	80 489 323
Depreciation and amortisation	152 221	98 444 878	7 378 871	4 366 748	110 342 718
Employee Related Cost	21 643 603	92 141 909	97 744 060	100 353 305	311 882 877
Expenditure from transactions with other segments	6 104 224	7 630 530	1 177 479	3 000	14 915 233
Interest expense	-	17 985 640	6 561 109	6 820 876	31 367 625
Other operational expenses	653 318	42 001 949	53 435 139	38 152 111	134 242 517
Remuneration of Councillors	-	-	-	19 711 279	19 711 279
Repairs and maintenance	2 604 506	65 599 327	9 202 248	2 069 457	79 475 538
Total segment expenditure	31 192 297	693 204 226	177 357 786	172 115 759	1 073 870 068
Total segmental surplus/(deficit)	(22 601 839)	(69 605 327)	(101 233 038)	109 324 859	(84 115 345)

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