

# MOGALE CITY LOCAL MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022



City of Human Origin.

(Registration number GT 481)

## General Information

---

<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business</b>	Local government (Municipality). The principal activities of the city are to: provide democratic and accountable government to the local communities, ensure sustainable service delivery to communities, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.
<b>Legislation governing the municipality's operations</b>	Municipal Finance Management Act (Act 56 of 2003) Municipal Systems Act (Act 32 of 2000) Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 Of 2007) and various other acts and regulations
<b>Members of Council</b>	
Executive Mayor	Cllr T.M. Gray
Speaker	Cllr J.L. Pannall
Chief Whip	Cllr J. Miller
Municipal Public Accounts Committee	Cllr X.L. Mkruquli
Members of Mayoral Committee	MMC Finance: Cllr J.J. Holtzhausen MMC Social Development: Cllr L.L. Lekoto MMC Human Settlement: Cllr D.M Thupane MMC Local Economic and Rural Development: Cllr Z. Wehinger-Maguire MMC Utilities: Cllr K.E. Lekagane MMC Community Safety: Cllr L. Sokwang MMC Roads & Transport: Cllr L.W. Moleba MMC Corporate Support Services & Strategic Planning: Cllr A. van Loggerenberg MMC Sports, Recreation, Arts, Culture & Heritage: Cllr B.E. Nkosi MMC Integrated Environmental Management: Cllr E. Mahne
Councillors	Cllr A.M. Badenhorst Cllr N.D. Bhengu Cllr S.L.A. Cochrane Cllr S.A. Dabhelia Cllr G.A. Dalton Cllr D.S. David Cllr L.E. du Toit Cllr A.S. Eksteen Cllr S. Govindasamy Cllr L.J. Gouws Cllr M.A. Hleza Cllr A. Jooste Cllr M.V. Khol Cllr V.B. Khumalo Cllr M.J. Koboekae Cllr T.G. Koto Cllr J.N. Kotze Cllr H.H. Kruger

## General Information

---

Cllr B.A. Kubayi  
Cllr S.L. Lebesa  
Cllr M.R. Lephadi  
Cllr E.L.L. Lesuthu  
Cllr F.M. Makgatho  
Cllr C.M. Mankazana  
Cllr P.L. Matshaba  
Cllr E. Mdluli  
Cllr D.M. Modiko  
Cllr P.K. Modise  
Cllr L.R. Moeketsi  
Cllr M.M. Mogoje  
Cllr R.J. Mokoto  
Cllr B.V. Molefe  
Cllr G.K. Morake  
Cllr O.S.S. Moralo  
Cllr J.O. Muravha  
Cllr K. Motlhophe  
Cllr M.C. Mosala  
Cllr W. Mnyaji  
Cllr R.E. Munyai  
Cllr M.C.G. Naude  
Cllr M. Ndamase  
Cllr F. Ngobeni  
Cllr N. Nhlapo  
Cllr T. Ntando  
Cllr L.L. Ntshabele  
Cllr K.C. Ntshangase  
Cllr L.P. Pii  
Cllr T. Ramaisa  
Cllr L.G. Resha  
Cllr L.G. Sele  
Cllr N.G. Segapela  
Cllr N.A. Sithole  
Cllr T.J. Steenkamp  
Cllr A. Steyn  
Cllr P.S. Tabiwa  
Cllr M.H. Taunyane  
Cllr T.J. Tapani  
Cllr D. Toerien  
Cllr L.T. Tshose  
Cllr M.L. Trump  
Cllr C.J. van der Westhuizen  
Cllr N.D. Witbooi  
Cllr N.T. Xhale  
Cllr L.W. Zwankhuizen

**Grading of local authority**

High Capacity (Grade 5)

**Accounting Officer**

Mr M.A. Msezana

## General Information

---

<b>Acting Chief Financial Officer</b>	Ms B.V. Monkwe
<b>Registered office</b>	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
<b>Business address</b>	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
<b>Postal address</b>	P.O Box 94 Krugersdorp
<b>Telephone number</b>	011 951 2000
<b>Attorneys</b>	Various-per appointed panel
<b>Auditors</b>	Auditor - General South Africa (AGSA) Registered Auditors
<b>Audit Committee members</b>	Mr Bashir Ahmed (1 July 2021 – 31 December 2021 (Chair) Dr Len Konar ((Chair) 31 March 2022 - 30 June 2022) Mr Luyanda Mangquku (1 July 2021 - 31 December 2021 & 31 March 2022 - 30 June 2022) Mr Luvuyo Malinga (1 July 2021 - 31 December 2021) Mr Todani Nemadzilili (1 July 2021 - 31 December 2021) Mr Percy Mongalo (1 July 2021 - 31 December 2021) Mr Bashir Ahmed 31 March 2022 - 30 June 2022) Mr Maphanga Maseko (31 March 2022 - 30 June 2022) Mr. Lufuno Ravhuhali (31 March 2022 - 30 June 2022)
<b>Bankers</b>	Standard Bank of South Africa Limited

## Index and Acronyms

---

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

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 15
Accounting Policies	16 - 37
Notes to the Annual Financial Statements	38 - 110
Appendixes Appropriation Statement	111 - 113

## Index and Acronyms

---

AIDS	Acquired Immunodeficiency Syndrome
AGSA	Auditor General South Africa
COIDA	Compensation for Occupational Injuries and Diseases Act
COVID-19	Corona Virus Disease 2019
DBSA	Development Bank of Southern Africa
DMRE	Department of Mineral Resources
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
HIV	Human Immunodeficiency Virus
HSDG	Human Settlement Development Grant
INEP	Intergrated National Electrification Programme
IUDG	Intergrated Urban Development Grant
MBRR	Municipal Budget and Reporting Regulations
MCLM	Mogale City Local Municipality
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MWIG	Municipal Water Infrastructure Grant
NDPG	Neighbourhood Development Grant
NERSA	National Electricity Regulator of South Africa
SDBIP	Service Delivery and Budget Implementation Plan
SRAC	Sports, Recreation, Arts and Culture
VAT	Value Added Tax
WRDM	West Rand District Municipality
WSIG	Water Services Infrastructure Grant

## Accounting Officer's Responsibilities and Approval

---

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 are 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 places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Standards 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 access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

I certify that the salaries, Allowances and benefits of councillors as disclosed in note 35 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The annual financial statements set out on page 9 to 113, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 August 2022.

---

**Accounting Officer**  
**M.A. Msezana**

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
Current Assets			
Inventories	2	5 874 432	15 336 759
Receivables from non-exchange transactions	3	277 423 225	276 310 457
Receivables from exchange transactions	4	442 187 677	348 313 360
Cash and cash equivalents	5	141 836 531	64 924 427
Operating lease asset	7	36 636	84 604
VAT receivable	8	43 910 488	44 334 118
		<b>911 268 989</b>	<b>749 303 725</b>
Non-Current Assets			
Living resources	6	3 187 374	2 734 560
Investment property	9	714 684 722	687 975 265
Property, plant and equipment	10	5 654 273 475	5 614 596 537
Intangible assets	11	3 561 452	3 045 771
Heritage assets	12	2 450 275	2 450 275
Financial assets	13	516 011	598 971
		<b>6 378 673 309</b>	<b>6 311 401 379</b>
<b>Total Assets</b>		<b>7 289 942 298</b>	<b>7 060 705 104</b>
<b>Liabilities</b>			
Current Liabilities			
Operating lease liability	7	-	76
Employee benefit obligation	14	14 547 600	14 281 587
Finance lease obligation	15	93 189	12 854 784
Unspent conditional grants and receipts	16	6 851 376	37 408 013
Provisions	17	289 306	8 447 171
Payables from non-exchange transactions	18	110 431 131	101 998 774
Payables from exchange transactions	19	1 234 140 596	981 087 683
Financial liabilities	20	30 695 663	30 112 356
Sundry deposits	21	12 815 095	12 679 550
Consumer deposits	22	67 262 290	63 775 537
		<b>1 477 126 246</b>	<b>1 262 645 531</b>
Non-Current Liabilities			
Employee benefit obligation	14	227 447 000	231 342 680
Finance lease obligation	15	950 224	1 043 413
Provisions	17	97 936 220	106 649 024
Financial liabilities	20	188 382 569	219 078 232
		<b>514 716 013</b>	<b>558 113 349</b>
<b>Total Liabilities</b>		<b>1 991 842 259</b>	<b>1 820 758 880</b>
<b>Net Assets</b>		<b>5 298 100 039</b>	<b>5 239 946 224</b>
Social Responsibility		41 646 766	34 457 033
Accumulated surplus		5 256 453 273	5 205 489 191
<b>Total Net Assets</b>		<b>5 298 100 039</b>	<b>5 239 946 224</b>

\* See Note 46



## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	1 925 203 553	1 739 483 880
Rental of facilities and equipment	25	5 111 607	5 866 035
Income from agency services	26	22 305 292	25 125 453
Licences and permits		33 414	32 041
Operational revenue	27	70 526 107	41 553 787
Interest received - Outstanding debtors	28	50 780 655	33 440 418
Interest received - Investment	29	2 589 198	3 898 658
Dividends received	29	26 079	23 424
<b>Total revenue from exchange transactions</b>		<b>2 076 575 905</b>	<b>1 849 423 696</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Statutory income: Property rates	30	548 627 737	504 064 488
<b>Transfer revenue</b>			
Transfers & subsidies	31	811 162 691	755 688 833
Fines, Penalties and Forfeits	32	62 491 230	109 732 341
Fair value adjustments	33	22 936 335	6 703 997
<b>Total revenue from non-exchange transactions</b>		<b>1 445 217 993</b>	<b>1 376 189 659</b>
<b>Total revenue</b>		<b>3 521 793 898</b>	<b>3 225 613 355</b>
<b>Expenditure</b>			
Employee related costs	34	(850 483 354)	(857 225 008)
Remuneration of councillors	35	(33 922 375)	(34 492 007)
Depreciation and amortisation	36	(234 979 615)	(245 639 408)
(Impairment loss)/Reversal of impairments	37	(20 982 371)	(18 073)
Finance costs	38	(27 494 539)	(38 462 789)
Debt Impairment	39	(266 202 205)	(214 113 648)
Collection costs	40	(33 218 658)	(32 156 852)
Bulk purchases	41	(1 344 628 909)	(1 171 320 897)
Contracted services	42	(545 653 534)	(546 540 971)
Transfers and Subsidies		(1 886 492)	(346 246)
Fair value adjustments	33	(82 960)	-
Operational costs	43	(116 113 373)	(150 537 831)
<b>Total expenditure</b>		<b>(3 475 648 385)</b>	<b>(3 290 853 730)</b>
<b>Surplus (deficit) for the year</b>		<b>46 145 513</b>	<b>(65 240 375)</b>

\* See Note 46

## Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Accumulated surplus	Total net assets
<b>Balance at 01 July 2020</b>	<b>28 514 391</b>	<b>5 270 729 566</b>	<b>5 299 243 957</b>
Changes in net assets			
Surplus for the year	-	(65 240 375)	(65 240 375)
Social Responsibility	5 942 642	-	5 942 642
Total changes	5 942 642	(65 240 375)	(59 297 733)
<b>Restated* Balance at 01 July 2021</b>	<b>34 457 033</b>	<b>5 205 489 191</b>	<b>5 239 946 224</b>
Changes in net assets			
Surplus for the year	-	46 145 513	46 145 513
Social Responsibility	7 189 733	-	7 189 733
Total changes	7 189 733	46 145 513	53 335 246
<b>Balance at 30 June 2022</b>	<b>41 646 766</b>	<b>5 256 453 273</b>	<b>5 298 100 039</b>

Note(s)

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

\* See Note 46

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1 996 428 688	1 858 264 988
Property rates		548 627 737	504 064 488
Interest income		53 369 853	37 339 076
Dividends received		26 079	23 424
Grants		780 606 054	786 608 749
		<u>3 379 058 411</u>	<u>3 186 300 725</u>
<b>Payments</b>			
Employee costs		(888 035 396)	(866 457 873)
Suppliers		(1 622 473 893)	(1 689 509 801)
Finance costs		(27 494 539)	(38 462 789)
Other payments		(428 562 548)	(437 142 068)
		<u>(2 966 566 376)</u>	<u>(3 031 572 531)</u>
<b>Net cash flows from operating activities</b>	44	<b>412 492 035</b>	<b>154 728 194</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(296 636 873)	(143 672 851)
Derecognition of property, plant and equipment	10	4 280 636	3 309 740
Derecognition of investment property	9	2 873 880	10 750 256
Purchase of intangible assets	11	(3 130 434)	(347 826)
<b>Net cash flows from investing activities</b>		<b>(292 612 791)</b>	<b>(129 960 681)</b>
<b>Cash flows from financing activities</b>			
Repayment of financial liabilities		(30 112 356)	(36 172 971)
Finance lease receipts		(12 854 784)	(22 006 502)
<b>Net cash flows from financing activities</b>		<b>(42 967 140)</b>	<b>(58 179 473)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>76 912 104</b>	<b>(33 411 960)</b>
Cash and cash equivalents at the beginning of the year		64 924 427	98 336 387
<b>Cash and cash equivalents at the end of the year</b>	5	<b>141 836 531</b>	<b>64 924 427</b>

\* See Note 46

## 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						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1 884 504 324	(2 007 579)	<b>1 882 496 745</b>	1 925 203 553	<b>42 706 808</b>	45.1
Rental of facilities and equipment	5 499 605	(1 601 254)	<b>3 898 351</b>	5 111 607	<b>1 213 256</b>	
Interest received (Outstanding debtors)	48 545 429	(1 752 934)	<b>46 792 495</b>	50 780 655	<b>3 988 160</b>	
Income from agency services	31 759 580	(12 595 549)	<b>19 164 031</b>	22 305 292	<b>3 141 261</b>	45.2
Licences and permits	33 888	-	<b>33 888</b>	33 414	<b>(474)</b>	
Operational revenue	30 289 619	10 172 868	<b>40 462 487</b>	70 526 107	<b>30 063 620</b>	45.6
Interest received - investment	3 204 766	(1 118 523)	<b>2 086 243</b>	2 589 198	<b>502 955</b>	45.3
Dividends received	-	-	-	26 079	<b>26 079</b>	
<b>Total revenue from exchange transactions</b>	<b>2 003 837 211</b>	<b>(8 902 971)</b>	<b>1 994 934 240</b>	<b>2 076 575 905</b>	<b>81 641 665</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	510 136 886	34 710 617	<b>544 847 503</b>	548 627 737	<b>3 780 234</b>	
<b>Transfer revenue</b>						
Transfers and subsidies	731 287 160	86 726 709	<b>818 013 869</b>	811 162 691	<b>(6 851 178)</b>	45.4
Fines, Penalties and Forfeits	129 491 711	(58 999 266)	<b>70 492 445</b>	62 491 230	<b>(8 001 215)</b>	
Fair value adjustments	-	-	-	22 853 375	<b>22 853 375</b>	
<b>Total revenue from non-exchange transactions</b>	<b>1 370 915 757</b>	<b>62 438 060</b>	<b>1 433 353 817</b>	<b>1 445 135 033</b>	<b>11 781 216</b>	
<b>Total revenue</b>	<b>3 374 752 968</b>	<b>53 535 089</b>	<b>3 428 288 057</b>	<b>3 521 710 938</b>	<b>93 422 881</b>	
<b>Expenditure</b>						
Employee related costs	(939 412 211)	64 419 951	<b>(874 992 260)</b>	(850 483 354)	<b>24 508 906</b>	
Remuneration of councillors	(36 365 546)	-	<b>(36 365 546)</b>	(33 922 375)	<b>2 443 171</b>	
Depreciation and amortisation	(237 766 843)	2 787 228	<b>(234 979 615)</b>	(234 979 615)	-	
Impairment loss/ Reversal of impairments	-	(20 982 371)	<b>(20 982 371)</b>	(20 982 371)	-	
Finance costs	(45 696 838)	11 399 055	<b>(34 297 783)</b>	(27 494 539)	<b>6 803 244</b>	45.7
Debt Impairment	(253 334 087)	(15 094 172)	<b>(268 428 259)</b>	(266 202 205)	<b>2 226 054</b>	
Collection costs	(34 644 972)	1 426 314	<b>(33 218 658)</b>	(33 218 658)	-	
Bulk purchases	(1 301 062 751)	(44 442 327)	<b>(1 345 505 078)</b>	(1 344 628 909)	<b>876 169</b>	
Contracted Services	(457 364 491)	35 081 588	<b>(422 282 903)</b>	(545 653 534)	<b>(123 370 631)</b>	45.8
Transfers and Subsidies (operational expenditure)	(3 019 384)	30 000	<b>(2 989 384)</b>	(1 886 492)	<b>1 102 892</b>	45.9
Operational costs	(143 280 634)	7 973 962	<b>(135 306 672)</b>	(116 113 373)	<b>19 193 299</b>	45.10
<b>Total expenditure</b>	<b>(3 451 947 757)</b>	<b>42 599 228</b>	<b>(3 409 348 529)</b>	<b>(3 475 565 425)</b>	<b>(66 216 896)</b>	
<b>Surplus/(deficit)</b>	<b>(77 194 789)</b>	<b>96 134 317</b>	<b>18 939 528</b>	<b>46 145 513</b>	<b>27 205 985</b>	

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	17 198 259	-	17 198 259	5 874 432	(11 323 827)	
Receivables from non-exchange transactions	-	-	-	277 423 225	277 423 225	
Receivables from exchange transactions	529 361 660	-	529 361 660	442 187 677	(87 173 983)	
Cash and cash equivalents	120 218 626	(25 884 993)	94 333 633	141 836 531	47 502 898	
Operating lease asset	-	-	-	36 636	36 636	
VAT receivable	22 871 728	-	22 871 728	43 910 488	21 038 760	
	<b>689 650 273</b>	<b>(25 884 993)</b>	<b>663 765 280</b>	<b>911 268 989</b>	<b>247 503 709</b>	

##### Non-Current Assets

Investment property	704 209 638	-	704 209 638	714 684 722	10 475 084	
Property, plant and equipment	5 739 879 898	432 742 432	6 172 622 330	5 654 273 475	(518 348 855)	
Living resources	-	-	-	3 187 374	3 187 374	
Intangible assets	4 346 326	9 058 000	13 404 326	3 561 452	(9 842 874)	
Heritage assets	-	-	-	2 450 275	2 450 275	
Financial assets	-	-	-	516 011	516 011	
	<b>6 448 435 862</b>	<b>441 800 432</b>	<b>6 890 236 294</b>	<b>6 378 673 309</b>	<b>(511 562 985)</b>	

#### Total Assets

<b>7 138 086 135</b>	<b>415 915 439</b>	<b>7 554 001 574</b>	<b>7 289 942 298</b>	<b>(264 059 276)</b>	
----------------------	--------------------	----------------------	----------------------	----------------------	--

#### Liabilities

##### Current Liabilities

Employee benefit obligation	-	-	-	14 547 600	14 547 600	
Finance lease obligation	-	-	-	93 189	93 189	
Unspent conditional grants and receipts	-	-	-	6 851 376	6 851 376	
Provisions	91 871 656	-	91 871 656	289 306	(91 582 350)	
Payables from non-exchange transactions	-	-	-	110 431 131	110 431 131	
Payables from exchange transactions	1 099 359 591	-	1 099 359 591	1 234 140 596	134 781 005	
Financial liabilities	30 112 356	-	30 112 356	30 695 663	583 307	
Sundry deposits	-	-	-	12 815 095	12 815 095	
Consumer deposits	76 203 249	-	76 203 249	67 262 290	(8 940 959)	
	<b>1 297 546 852</b>	<b>-</b>	<b>1 297 546 852</b>	<b>1 477 126 246</b>	<b>179 579 394</b>	

##### Non-Current Liabilities

Employee benefit obligation	-	-	-	227 447 000	227 447 000	
Finance lease obligation	-	-	-	950 224	950 224	
Provisions	198 003 060	-	198 003 060	97 936 220	(100 066 840)	
Financial liabilities	262 111 504	-	262 111 504	188 382 569	(73 728 935)	
	<b>460 114 564</b>	<b>-</b>	<b>460 114 564</b>	<b>514 716 013</b>	<b>54 601 449</b>	

#### Total Liabilities

<b>1 757 661 416</b>	<b>-</b>	<b>1 757 661 416</b>	<b>1 991 842 259</b>	<b>234 180 843</b>	
----------------------	----------	----------------------	----------------------	--------------------	--

#### Net Assets

<b>5 380 424 719</b>	<b>415 915 439</b>	<b>5 796 340 158</b>	<b>5 298 100 039</b>	<b>(498 240 119)</b>	
----------------------	--------------------	----------------------	----------------------	----------------------	--

## 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						
<b>Net Assets</b>						
<b>Reserves</b>						
Social Responsibility Fund	-	-	-	41 646 766	<b>41 646 766</b>	
Accumulated surplus	5 380 424 719	415 915 439	<b>5 796 340 158</b>	5 256 453 273	<b>(539 886 885)</b>	
<b>Total Net Assets</b>	<b>5 380 424 719</b>	<b>415 915 439</b>	<b>5 796 340 158</b>	<b>5 298 100 039</b>	<b>(498 240 119)</b>	

## 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						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	459 123 197	31 239 555	<b>490 362 752</b>	548 627 737	<b>58 264 985</b>	
Services charges	1 715 798 708	12 624 996	<b>1 728 423 704</b>	1 996 428 688	<b>268 004 984</b>	
Other Revenue	635 406 117	(64 798 745)	<b>570 607 372</b>	-	<b>(570 607 372)</b>	
Transfers and Subsidies - Operating	513 428 080	1 859 775	<b>515 287 855</b>	780 606 054	<b>265 318 199</b>	
Transfers and Subsidies - capital	217 859 080	57 469 521	<b>275 328 601</b>	-	<b>(275 328 601)</b>	
Interest	51 750 195	(2 871 457)	<b>48 878 738</b>	53 369 853	<b>4 491 115</b>	
Dividend income	-	-	-	26 079	<b>26 079</b>	
	<b>3 593 365 377</b>	<b>35 523 645</b>	<b>3 628 889 022</b>	<b>3 379 058 411</b>	<b>(249 830 611)</b>	
<b>Payments</b>						
Suppliers and employee costs	(3 324 435 258)	75 168 007	<b>(3 249 267 251)</b>	(2 510 509 289)	<b>738 757 962</b>	
Finance costs	(45 696 838)	-	<b>(45 696 838)</b>	(27 494 539)	<b>18 202 299</b>	
Transfers and grants	(3 019 384)	(1 784 276)	<b>(4 803 660)</b>	-	<b>4 803 660</b>	
Other payments	-	-	-	(428 562 548)	<b>(428 562 548)</b>	
	<b>(3 373 151 480)</b>	<b>73 383 731</b>	<b>(3 299 767 749)</b>	<b>(2 966 566 376)</b>	<b>333 201 373</b>	
<b>Net cash flows from operating activities</b>	<b>220 213 897</b>	<b>108 907 376</b>	<b>329 121 273</b>	<b>412 492 035</b>	<b>83 370 762</b>	
<b>Cash flows from investing activities</b>						
Derecognition of property, plant and equipment	-	-	-	4 280 636	<b>4 280 636</b>	
Capital Assets	(259 784 080)	(101 380 643)	<b>(361 164 723)</b>	-	<b>361 164 723</b>	
Purchase of property, plant and equipment	-	-	-	(296 636 873)	<b>(296 636 873)</b>	
Derecognition of investment property	-	-	-	2 873 880	<b>2 873 880</b>	
Purchases of intangible assets	-	-	-	(3 130 434)	<b>(3 130 434)</b>	
<b>Net cash flows from investing activities</b>	<b>(259 784 080)</b>	<b>(101 380 643)</b>	<b>(361 164 723)</b>	<b>(292 612 791)</b>	<b>68 551 932</b>	
<b>Cash flows from financing activities</b>						
Finance lease receipts	-	-	-	(12 854 784)	<b>(12 854 784)</b>	
Repayment of borrowing	(30 112 356)	-	<b>(30 112 356)</b>	(30 112 356)	-	
<b>Net cash flows from financing activities</b>	<b>(30 112 356)</b>	-	<b>(30 112 356)</b>	<b>(42 967 140)</b>	<b>(12 854 784)</b>	
Net increase/ decrease in cash held	(69 682 539)	7 526 733	<b>(62 155 806)</b>	76 912 104	<b>139 067 910</b>	
Cash and cash equivalents at the beginning of the year	98 336 387	(33 411 726)	<b>64 924 661</b>	64 924 427	<b>(234)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>28 653 848</b>	<b>(25 884 993)</b>	<b>2 768 855</b>	<b>141 836 531</b>	<b>139 067 676</b>	

# Accounting Policies

## 1. Presentation of Annual Financial Statements

### 1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 2 and 4 of these annual financial statements.

### 1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

### 1.3 Basis of measurement

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

### 1.4 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest rand.

### 1.5 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period of 12 months to carry out its commitments, obligations and objectives.

### 1.6 Amended GRAP standards

The following standards were amended and will be implemented for annual financial statements covering periods beginning on or after a date determined by the Minister of Finance

Amended Standards	Effective date	Expected impact:
GRAP 1 Presentation of Financial Statements	1 April 2023	Material
GRAP 25 Employee Benefits	1 April 2023	Material
GRAP 104 Financial Instruments	1 April 2025	Material
iGRAP 21 The Effect of Past Decisions on Materiality	1 April 2023	Material
iGRAP 7 Limit on a Defined Benefit Asset Min Fund Requirement and Interact	Not yet effective	Material

### 1.7 Standards not implemented

The following approved and effective Standards of GRAP have not been implemented in the preparation of the annual financial statements, as they are not applicable to the business operations of Mogale City.

GRAP 4	The effects of changes in foreign exchange rates
GRAP 6	Consolidated and separate financial instruments
GRAP 7	Investments in associates
GRAP 8	Interest in joint ventures
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 27	Agriculture
GRAP 107	Mergers
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control
iGRAP 19	Liabilities to pay Levies
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities



## Accounting Policies

---

(continued)

### 1.8 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

#### 1.8.1 Classification of leases

All arrangements that are classified as leases are evaluated as Operating and Finance leases. These are then accounted for in the annual financial statements in terms of the relevant GRAP standard.

#### 1.8.2 Employee benefits including pension and other post-employment benefits

The cost of defined-contribution plans and other employment medical aid benefits are determined by using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, health care cost inflation rate, net of health care cost inflation discount rate, maximum subsidy inflation rate, and net of maximum subsidy inflation discount rate, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The liability is valued by using the Projected Unit Credit Method.

#### 1.8.3 Impairment of receivables

A comprehensive methodology for impairment of receivables is utilised by the municipality in assessing receivables for impairment and for determining the extent to which receivables are impaired in line with GRAP 104. Management's estimates and judgement are utilised in the analysis of receivables and calculation of impairment.

The Municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

The following accounts are specifically excluded from impairment testing:

Receivable accounts with a credit balance at reporting date;

Receivable accounts where the balance at reporting date is zero;

Receivable accounts where the Municipality is the owner;

Receivables accounts where the government is the owner;

Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due (with the exception of handed over accounts).

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

Accounts handed over to debt collectors for collection.

Accounts identified as section 118(3) historical debts.

Accounts wherein the accountholder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.

Accounts where the accountholder has a current repayment arrangement as at the reporting date.

All accounts indicated as in-active accounts on the system;

Accounts that have been formally presented to Council for write off.

Accounts with balances outstanding for 30 days and longer as these account holders have defaulted and the accounts are considered to be past due date.

Accounts where the account holder is an approved indigent at reporting date.

Accounts where the last payment date by the account holder was more than 2 months before the end of the reporting period.

Accounts other than the above which in Management's view could be impaired taking any other factors at management's disposal into consideration.

The impairment loss is calculated as the difference between the carrying values of the receivable at reporting date less the present value of expected future cash flows. Expected future cash flows will be calculated based on management's experienced judgment.

Receivables will not be discounted when calculating the estimated impairment allowance as account holders within a municipality are granted normal credit terms that are applicable in the public sector. Accounts where a formal debt repayment arrangement has been entered into with the customer will however be discounted at the prime lending rate as the municipality does not charge interest on accounts wherein an arrangement has been entered into.

A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 3 years, fines older than 3 years are considered to be impaired and are written off.

# Accounting Policies

---

(continued)

## 1.8.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The Municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment, heritage assets, intangible assets and investment property is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount), an impairment loss is charged to the Statement of Financial Performance and the carrying value is adjusted accordingly by the loss.

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

## 1.8.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation using an appropriate discounting rate, representing the time value of money and is carried at amortised cost.

## 1.8.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

## 1.9 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts. Variances between final budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

## 1.10 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

## 1.11 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net asset value of the municipality.

Where accounting errors/change in accounting policy have been identified in the current year, the correction/adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## 1.12 Corporate Social Responsibility levy

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

## 1.13 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficits. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

## 2 FINANCIAL REPORTING TERMS

### 2.1 Assets acquired at no costs/nominal cost

## Accounting Policies

---

(continued)

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

### 2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

### 2.3 Carrying Amount

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

### 2.4 Cash generating unit

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

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

The future cash inflows used to determine the assets or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

### 2.5 Costs of disposal

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

### 2.6 Cost of inventories

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.

### 2.7 Current replacement cost

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

### 2.8 Depreciation (Amortisation)

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

### 2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

### 2.10 Discount rate

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

### 2.11 Fair value

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

### 2.12 Impairment Loss

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

### 2.13 Net realisable value

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.

### 2.14 Non-cash generating assets

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

At initial recognition the Municipality shall designate:

## Accounting Policies

---

(continued)

- An asset as non-cash generating or
- An asset or cash generating unit as cash generating

The designation is made on the basis of the Municipality's objective of using the asset.

### 2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment; Investment property; Intangible asset; and Heritage assets.

### 2.16 Recoverable amount

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

### 2.17 Recoverable service amount

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

### 2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

### 2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

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

### 2.20 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Mogale City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.

Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

## Accounting Policies

---

(continued)

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

### 3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that is, 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. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

Mogale City discloses information relating to assets under construction or development of Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

### 3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item. Componentisation of assets is based on part of an asset significant cost in relation to the total cost.

### 3.1.3 Subsequent expenditure

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

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.

### 3.1.4 Derecognition of items of property, plant and equipment

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. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Derecognition of Land

When to recognise and derecognise land is based on control, not only legal title.

### 3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

### 3.1.6 Depreciation

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a

## Accounting Policies

---

(continued)

prospective basis.

As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

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

Asset Type	Component Type	Estimated Useful Life
Building	Air conditioning	20
	Electrical installation	30
	Finishes, fixtures & fittings	15
	Fire protection	20
	Floor	50
	Lifts	10
	Plumbing	20
	Roof	40
	Security system	20
	Walls	30-60
Civil Structure	Carports	7
	Earth Structure	50
	Erosion Protection	50
	Filter media	10
	Leachate drainage system	50
	Lining - landfill	50
	Masonry structure	30
	RC Structure	50-80
	Retaining wall	60
	Well	30
Communal sanitation Drainage	Septic Tank	40
	Channel	5
	Culvert	60
	Grid Inlet	30
	Kerb	20
	Kerb Inlet	20
	Sub-soil drain	60
Earthworks	Earthworks	100
	Landfill restoration	20-40
Electrical equipment	Control Cable	50
	Isolator	30
	MV Cable	50
	Telemetry	15
External facilities	Bin / Container	10
	External furniture	20
	External lighting	30
	Irrigation	10
	Landscaping	30
	Perimeter Protection	8-30
	Small building / enclosure	20
	Tank	15
	Paving	20
	Footpath / Paving	20
HV Conductor	HV Cable	50
	HV Overhead line	50
HV Substation	Batteries	20
	Current transformer	45
	HV Power Transformer	45
	HV Switchgear - Circuit Breaker	50
	HV Switchgear - Isolating Link	50
	HV Switchgear - Isolators	50
	Transformer NEC	45
	Transformer NER	45
	Voltage Transformer	45
	LV Conductor	50
Mechanical equipment	LV Cable	50
	Aerator	20
	Blower	20

## Accounting Policies

---

(continued)

	Bowser	10
	Compressor	10
	Conveyor	20
	Doser	15
	Dosing Plant	15
	Engine	15
	Gas control equipment	15
	Gearbox	15
	Generator	20
	Grit Classifier	30
	Mixer	20
	Motor	15
	Pump - sewer	15
	Pump - submersible	8-15
	Pump - water	15
	Rotating scraper assembly	20
	Trickling Filter	20
	Wash water system	15
	Weigh bridge	15
Metal work	Fabricated Steel	20-30
	Guard rail	15
Municipal Service Connection	Electrical service connection	50
	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
MV Conductors	MV Overhead line	50
MV Mini-sub	Mini-Sub	45
	Transformer	45
MV Primary substation	MV Switchgear - Circuit Breaker	50
MV Substation	Battery Charger	10
	Control panel	50
	Load Control Set	20
	MV Switchgear - Isolating Link	50
	MV Switchgear - Isolators	50
	MV Transformer	45
	Panel_switchgear	50
	Power factor equipment	30-50
MV Transformer	Pole Transformer	45
Pavement	Road structural layer	30
	Road surface	3
Pedestrian bridge	Pedestrian bridge substructure	100
	Pedestrian bridge superstructure	100
Pipe work	Communal standpipe - Pedestal	10
	Hydrant	20
	Pipe - sewer	40
	Pipe - stormwater	50
	Pipe - water	40
	Valve	20
Public Lighting	High mast	45
	Street Light	45
Road Bridge	Road bridge sub-structure	100
	Road bridge super-structure	100
Road Furniture	Advertisement Signs	7
	Billboards	7
	Cat eyes	3
	Commuter shelter	15
	Footpath / Paving	20
	Mini round-about	20
	Road marking: Guidance	5
	Road marking: Regulatory	5

## Accounting Policies

---

(continued)

	Road marking: Warning	5
	Sign - general	20
	Sign - regulatory	7
	Speed hump	20
	Street rubbish bin	10-30
	Street sign	20
	Traffic island	20
	Traffic signal	15
Service connection on site	LV Overhead Line	45
	Pipe - sewer (incl manholes)	40-60
Sports facilities	Bowling green	20
	Sports field	15-50
	Stadium	50
	Swimming pool	20
	Tennis court	15
Moveable assets	Office Equipment	3-10
	Furniture and Fittings	7-10
	Motor Vehicles	3-20
	Plant and Equipment	2-15
	Emergency Equipment	5-15
	Bins and containers	5-10
	Books	5-10
	Animals	20-80

### 3.2 Living and Non-living resources

Living resources are those resources that undergo biological transformation. Living resources include living organisms, for example animals and plants that are used or held for:

- the delivery or provision of goods and services;
- research;
- conservation;
- recreation;
- agricultural activities;
- education or training; and
- rehabilitation or breeding purposes.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Agricultural activity is the management by the municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

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 development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.



## Accounting Policies

---

(continued)

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by the municipality.

### 3.3 Investment property

Investment property includes property (land or a building or part of a building or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or sale of assets in the ordinary course of operations. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

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

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

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

### 3.4 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either:

separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset 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 entity or from other rights and obligations.

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

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.

Mogale City does not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation charge for each period is recognised in the Statement of Financial Performance.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

Item	Useful Life
Computer Software	3 - 5 years

### 3.5 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality must use its judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Information on heritage assets that could not be reliably measured on initial recognition is disclosed in the notes to the annual financial statements.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City does not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an

## Accounting Policies

---

(continued)

indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses are recognised in surplus or deficit. Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset.

Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit.

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 3.6 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition. Subsequent to initial recognition 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.

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

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.

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. An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

### 3.7 Receivables

Receivables are recognised initially at fair value, plus transaction costs. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice.

An impairment allowance for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due according to the original terms of receivables. Accordingly the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in surplus or deficit.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount 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.

### 3.8 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or

## Accounting Policies

---

(continued)

calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

### Recognition

Mogale City recognises statutory receivables as follows:

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

### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

### Subsequent measurement

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

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

### Accrued interest

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

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

### Other charges

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

### Impairment losses

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

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

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

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

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

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

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

### Derecognition

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

## Accounting Policies

---

(continued)

- 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.

### 3.9 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

### 3.10 Trade and other payables

#### 3.10.1 Payables from exchange transactions

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

#### 3.10.2 Payables from Non-exchange transactions.

(a) Any funds which must revert to the National Revenue Fund which have not been approved by the National Treasury to be retained, must be repaid to the National Revenue Fund.

(b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.

The National treasury may offset any funds which must be repaid to the National Revenue Fund but which have not been repaid— in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.

Grants which have not been approved by the National Treasury to be retained and need to be surrendered to National Treasury are reclassified as payables from non-exchange transactions to enhance the usefulness of the financial statements and more fairly reflect the nature of the liability at reporting date.

### 3.11 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

#### 3.11.1 Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

#### 3.11.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

#### 3.11.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

## Accounting Policies

---

(continued)

### 3.11.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

### 3.11.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

### 3.11.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.11.7 Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial assets	Financial assets measured at fair value
Receivables from non-exchange transactions	Financial assets measured at amortised costs
Receivables from exchange transactions	Financial assets measured at amortised costs
Call Accounts money market accounts	Financial assets measured at amortised costs
Cash and cash equivalents	Financial assets measured at amortised costs

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial liabilities	Financial liabilities measured at amortised costs
Payables from non-exchange transactions	Financial liabilities measured at amortised costs
Payables from exchange transactions	Financial liabilities measured at amortised costs
Consumer deposits	Financial liabilities measured at amortised costs
Sundry deposits	Financial liabilities measured at amortised costs
Finance lease obligation	Financial liabilities measured at amortised costs

### 3.12 Impairment of cash generating assets

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

### 3.13 Impairment of non-cash generating assets

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

#### 3.13.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the recoverable service amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in the Statement of Financial Performance.

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

## Accounting Policies

---

(continued)

### 3.13.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

### 3.13.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

### 3.13.4 Depreciation/Amortisation

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

### 3.13.5 Redesignation

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

### 3.14 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease agreement.

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

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

The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

#### 3.14.1 Finance Lease – Mogale City as 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. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

#### 3.14.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is 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.

#### 3.14.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

#### 3.14.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rentals are charged as expenses in the periods in which they are incurred.

### 3.15 Employee benefits

## Accounting Policies

---

(continued)

### 3.15.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

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.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

### 3.15.2 Defined contribution pension plans and defined benefit pension plans

Mogale City contributes to a defined contribution pension plans for its employees as determined by annual actuarial calculations. This plan is generally funded through payments on a monthly basis to a trustee-administering the funds on behalf of the employees.

### 3.15.3 Retirement benefits

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

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

### 3.15.4 Defined benefit plans - post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

### 3.15.5 Other long-term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute to a Pension Fund retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement age) of the employee multiplied by the number of years that the employee was not allowed to contribute to the Pension Fund retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

### 3.16 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of

## Accounting Policies

---

(continued)

Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

### 3.17 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually. Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy

Any unwinding of discount is charged to the statement of financial performance. The discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### 3.18 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or a present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

### 3.19 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mogale City.

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

### 3.20 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the Cash/Payment basis and submissions to SARS are being done on a monthly basis.

### 3.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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



## Accounting Policies

---

(continued)

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

**Binding arrangement**

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

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

**Assessing which entity benefits from the transactions with third parties**

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

**Recognition**

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

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

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

### 3.22 Revenue

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

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

#### 3.22.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

**Rendering of services**

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, 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 Mogale City.

The stage of completion of the transaction at the reporting date can be measured reliably.

The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

## Accounting Policies

---

(continued)

### Sale of goods

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

The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.

The entity 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 entity.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period. An accrual on the basis of a determined consumption factor is made for consumption not billed as at the end of each reporting period.

Residential sanitations service charges are charged based on the applicable tariffs for financial year or period. Business and other consumers' sanitation service charges are based the average of previous financial year's consumption to the applicable tariff. Basic Sewerages is charged based on the area size of the property multiplied by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on frequency of collection, type of disposal method used and the approved tariff is then applied thereto.

### Prepaid water and electricity:

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

### Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

### Rental of facilities and equipment

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

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

Collection charges are recognised when such amounts are legally enforceable and billed.

Penalty interest on unpaid services is recognised on a time proportion basis.

### Dividends

Dividends are recognised when the municipality's right to receive payment is established.

### 3.22.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Mogale City received revenue from another entity or individual without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

### Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Property rates are charged based on the market value of a property multiplied by the tariff applicable to that property category. Exemptions, rebates and remissions are granted to certain categories of ratepayers and are recognised

## Accounting Policies

---

(continued)

net of revenue.

### Transfers and Subsidies

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.

### Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any discounts, reductions, strike off, management assumptions on withdrawals that are given by the municipality and the courts. Interest is not levied on overdue fines.

Subsequently, Mogale City evaluates the probability of recovering these fines based on historical collection on fines issued taking into account any discounts, reductions in the amount payable, past history in terms of the successful prosecution and recovery of the fines.

### Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

### Services in-kind

Service in kind is recognised if significant to operations and if not significant then the nature and type is disclosed. Mogale City does not recognise services in-kind as assets or revenue.

### 3.23 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the municipality.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are rendered. This may not be when the goods or services are actually paid for. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

### 3.24 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been incurred; and it undertakes activities that are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

### 3.25 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are regarded as partial security for future payment of a consumer account. Consumer deposits are levied in-line with Council's Credit Control policy and approved tariffs to consumers when conventionally metered services are initially connected. The actual split of the consumer deposit is 60/40, where 60 percent is attributable to electricity and 40 percent is for water.

When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts that the consumer might be liable for up to that date. Any excess deposit after all debt is settled is refunded to the particular or specific consumer. No interest is paid on deposits.

### 3.26 Unauthorised expenditure

Unauthorised expenditure is expenditure: which has not been budgeted for; that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

## Accounting Policies

---

(continued)

In the event that the municipality incurs unauthorised expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

### 3.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003); the Municipal Systems Act (Act No.32 of 2000); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. In the event that the municipality incurs irregular expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

### 3.28 Fruitless and wasteful expenditure

Fruitless and wasteful 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 period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. In the event that the municipality incurs fruitless and wasteful expenditure, a recovery process is initiated by council with the objective of investigating the expenditure and ultimately recovering the said expenditure. Should Council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

### 3.29 Related parties

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

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

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

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

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

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

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

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

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

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

## Accounting Policies

---

(continued)

Management is regarded as a related party. Management of Mogale City comprises of all political Office Bearers of Mogale City and the Executive Management team. Political Office Bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other Councillors. The Executive Management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and other Executive Managers.

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed. All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

### 3.30 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction; Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

### 3.31 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. 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; and where disclosure is required by a specific standard of GRAP. Where the expenditure can be reliably measured for disclosure requirements, both the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

### 3.32 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

### 3.33 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

The municipality discloses expenditure relating to repairs and maintenance of Property, Plant & Equipment in the notes to the Annual Financial Statements.

### 3.34 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 2. Inventories

Consumable stores	5 250 440	7 351 968
Water for distribution	623 992	738 485
Unsold Properties Held for Resale	-	7 246 306
	<b>5 874 432</b>	<b>15 336 759</b>

Council item number. K(ii)2(08/2022)

During the year under review inventory to the amount of R334 225.78 was written off during the annual stock taking, as some of the inventory items were declared obsolete and other items were not found during the stock count.

No portion of inventory was pledged as security. Inventory is recognised at cost.

### 3. Receivables from non-exchange transactions

	2022			2021		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Statutory receivables: Property rates	545 292 241	(434 779 227)	110 513 014	484 704 132	(395 334 236)	89 369 896
Statutory receivables: Traffic fines and SARS	108 273 858	(51 794 778)	56 479 080	136 026 520	(51 084 733)	84 941 787
Credit balances transferred to payables from non exchange transactions	110 431 131	-	110 431 131	101 998 774	-	101 998 774
	<b>763 997 230</b>	<b>(486 574 005)</b>	<b>277 423 225</b>	<b>722 729 426</b>	<b>(446 418 969)</b>	<b>276 310 457</b>

#### Age Analysis (Statutory receivables: Property rates)

Current (0 - 30 days)	(2 586 076)	(7 811 965)
31 - 60 days	11 466 605	9 450 217
61 - 90 days	16 717 975	6 440 286
91 - 120 days	11 309 073	7 661 997
+ 120 days	508 384 664	468 963 597
	<b>545 292 241</b>	<b>484 704 132</b>

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

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

#### Age Analysis (statutory receivables: Traffic Fines & SARS)

Current (0 - 30 days)	36 516 599	136 026 520
31 - 60 days	17 332 389	-
61 - 90 days	2 303 894	-
91 - 120 days	2 229 200	-
+ 120 days	49 891 776	-
	<b>108 273 858</b>	<b>136 026 520</b>

#### Credit balance transferred to creditors

Current (0 - 30 days)	11 326 605	8 434 240
31 - 60 days	3 346 612	6 005 694
61 - 90 days	3 166 083	3 585 350
91 - 120 days	3 698 001	5 029 397
+ 120 days	88 893 830	78 944 093
	<b>110 431 131</b>	<b>101 998 774</b>

#### Receivables from non-exchange transactions pledged as security

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

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

Statutory Receivables: Rates	76 472 177	63 566 864
Statutory Receivables: Traffic Fines and SARS	56 479 080	88 546 191
	<b>132 951 257</b>	<b>152 113 055</b>

Receivables from non-exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

#### Reconcillation of provision for impairment of receivables from non-exchange transactions

Opening balance	446 418 970	433 488 806
Current year contribution	70 344 896	37 402 132
Bad debts	(30 189 860)	(24 471 969)
	<b>486 574 006</b>	<b>446 418 969</b>

As at 30 June 2022, total receivables from non exchange transactions were R 763 997 230 (2021: R 722 729 426 ).

The amount of the provision for impairment was R 486 574 005 as at 30 June 2022 (2021: R 446 418 969 ).The percentage of the provision against total receivables from non exchange transactions was 63,69 % as at 30 June 2022 (2021: 61,77 %).

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 4. Receivables from exchange transactions

Receivables per category	2022			2021		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Electricity	258 593 373	(206 184 901)	52 408 472	211 007 270	(172 101 685)	38 905 585
Water	326 665 546	(260 466 332)	66 199 214	278 785 617	(227 383 040)	51 402 577
Sundry debtors and loans	107 496 111	(59 016 497)	48 479 614	94 686 613	(57 359 894)	37 326 719
Sewerage	393 068 777	(313 430 267)	79 638 510	328 872 965	(268 235 268)	60 637 697
Refuse	343 787 693	(274 123 910)	69 663 783	304 969 224	(248 738 906)	56 230 318
Other( Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	573 438 591	(457 182 690)	116 255 901	496 505 859	(404 959 957)	91 545 902
Subtotal	2 003 050 091	(1 570 404 597)	432 645 494	1 714 827 548	(1 378 778 750)	336 048 798
Sundry staff leave, Personal interim advances & Insurance	794 679	-	794 679	275 608	-	275 608
Credit balances transfered to payables from exchange transactions	8 747 504	-	8 747 504	11 988 954	-	11 988 954
	9 542 183	-	9 542 183	12 264 562	-	12 264 562
	<b>2 012 592 274</b>	<b>(1 570 404 597)</b>	<b>442 187 677</b>	<b>1 727 092 110</b>	<b>(1 378 778 750)</b>	<b>348 313 360</b>

#### Electricity

Current (0 - 30 days)	62 642 113	56 415 669
31 - 60 days	15 619 153	11 628 611
61 - 90 days	21 468 727	11 390 036
91 - 120 days	9 160 313	7 573 850
121 - 365 days	149 703 067	123 999 104
	<b>258 593 373</b>	<b>211 007 270</b>

#### Water

Current (0 - 30 days)	37 141 552	10 202 292
31 - 60 days	7 512 924	3 166 787
61 - 90 days	13 817 552	15 307 007
91 - 120 days	(1 806 751)	7 604 352
121 - 365 days	270 000 269	242 505 179
	<b>326 665 546</b>	<b>278 785 617</b>

#### Sewerage

Current (0 - 30 days)	15 041 143	4 753 649
31 - 60 days	8 689 453	18 517 817
61 - 90 days	9 218 686	8 347 853
91 - 120 days	7 936 474	7 995 973
121 - 365 days	352 183 021	289 257 673
	<b>393 068 777</b>	<b>328 872 965</b>

#### Refuse

Current (0 - 30 days)	7 909 547	6 836 442
31 - 60 days	4 819 868	5 274 412
61 - 90 days	5 012 074	4 418 807
91 - 120 days	4 740 183	4 507 287
121 - 365 days	321 306 021	283 932 276
	<b>343 787 693</b>	<b>304 969 224</b>



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Sundry Debtors and Loans</b>		
Current (0 - 30 days)	53 305 499	42 831 284
31 - 60 days	3 214 788	285 526
61 - 90 days	498 663	70 238
91 - 120 days	566 583	116 574
121 - 365 days	49 910 578	51 382 991
	<b>107 496 111</b>	<b>94 686 613</b>
<b>Other (including Statutory Receivables)</b>		
Current (0 - 30 days)	26 149 733	12 043 011
31 - 60 days	10 669 468	8 012 188
61 - 90 days	11 939 666	9 086 969
91 - 120 days	5 225 450	6 586 078
121 - 365 days	519 454 274	460 777 613
	<b>573 438 591</b>	<b>496 505 859</b>
<b>Credit balance transferred to creditors</b>		
Current (0 -30 days)	3 073 598	6 337 963
31 - 60 days	76 827	92 414
61 - 90 days	32 117	174 877
91 - 120 days	51 173	103 188
121 - 365 days	5 513 789	5 280 512
	<b>8 747 504</b>	<b>11 988 954</b>
Receivables from exchange transactions as at 30 June 2022, were R2 012 592 274 (2021: R1 727 092 110 ).		
The provision for impairment was R 1 570 404 597 as at 30 June 2022 (2021: R 1 378 778 750 ). The percentage of the provision against total receivables from exchange transactions was 78,03 % as at 30 June 2022 (2021: 79,83 %)		
<b>Receivables from exchange transactions past due but not impaired:</b>		
Electricity	36 265 321	27 672 697
Water	45 812 739	36 561 536
Sewerage	55 128 427	43 130 276
Refuse	48 214 935	39 995 403
Other	80 412 664	65 114 610
Sundry debtors and loans	825 697	146 430
	<b>266 659 783</b>	<b>212 620 952</b>
Receivables from exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	1 378 778 746	1 199 017 569
Contributions to provision	218 348 777	197 252 843
Bad debts	(26 722 924)	(17 491 662)
	<b>1 570 404 599</b>	<b>1 378 778 750</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	29 977	29 977
Bank balances	66 008 131	56 445 089
Short-term deposits	75 798 423	8 449 361
	<b>141 836 531</b>	<b>64 924 427</b>

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for South African Post Office Guarantee held at Standard Bank call account no: 728430118-001 has been binded as guarantor to South African Post Office for payment of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment guarantee shall not exceed in aggregate the sum of R500 000	500 000	500 000
---	---------	---------

### 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
Standard Bank - 021307482	18 186	597 678	12 528 279	18 357	597 845	12 529 044
Standard Bank - 021307474	39 566 605	531 472	5 504 336	39 566 605	531 472	5 504 336
Standard Bank - 021307385	10 000 000	36 453 700	5 504 336	10 000 000	36 453 700	5 504 416
Standard Bank - 021307172	26 174	229 119	993 550	22 973	228 922	975 399
Standard Bank - 021307105	200 000	115 718	10 208 813	200 000	115 718	10 427 701
Standard Bank - 021306958	1 659 493	1 161 201	4 286 619	217 751	92 371	3 968 393
Standard Bank - 021306532	15 964 354	18 383 821	47 308 957	15 935 362	18 376 642	47 301 292
Standard Bank - 021457654	46 979	48 319	1 689 133	47 083	48 419	1 689 313
Call Accounts	75 798 423	8 449 361	10 407 266	75 798 423	8 449 361	10 407 266
Petty Cash	29 977	29 977	29 227	29 977	29 977	29 227
<b>Total</b>	<b>143 310 191</b>	<b>66 000 366</b>	<b>98 460 516</b>	<b>141 836 531</b>	<b>64 924 427</b>	<b>98 336 387</b>

### 2022

The differences between bank statement balances and cash book balances amounting to R1 473 660 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of June, in line with proper accounting procedures. Transactions attributing to the above difference of R1 473 660 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

### 2021

The differences between bank statement balances and cash book balances amounting to R 1 075 939 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

These transactions, which are termed as "held overs", are processed under retrospective date of June, in line with proper accounting procedures. Transactions attributing to the above difference of R1 075 939 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 6. Living resources

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Water Buck	537 668	(101 074)	436 594	303 988	(84 292)	219 696
Springbok	613 789	(267 586)	346 203	569 224	(256 014)	313 210
Red Hartebeest	437 552	(146 378)	291 174	511 425	(164 699)	346 726
Ostrich	31 861	(8 252)	23 609	31 861	(7 854)	24 007
Impala	153 746	(76 930)	76 816	250 094	(122 014)	128 080
Giraffe	83 312	(42 303)	41 009	116 637	(57 766)	58 871
Gemsbuck	31 880	(12 093)	19 787	39 850	(14 618)	25 232
Eland	447 732	(74 257)	373 475	236 439	(62 851)	173 588
Bles Buck	567 837	(225 248)	342 589	447 237	(208 694)	238 543
Muscovey/Makoue	1 333	(918)	415	2 948	(2 168)	780
Black Wildebeest	1 072 462	(382 069)	690 393	1 129 528	(388 280)	741 248
Hippo	60 007	(21 501)	38 506	60 007	(20 167)	39 840
Zebra	114 515	(38 519)	75 996	80 195	(35 957)	44 238
Cattle	235 950	(141 694)	94 256	179 300	(133 788)	45 512
Sheep	91 669	(48 765)	42 904	82 919	(46 635)	36 284
Goat	1 450	(1 450)	-	1 450	(1 450)	-
Lion	404 559	(110 911)	293 648	404 559	(105 854)	298 705
<b>Total</b>	<b>4 887 322</b>	<b>(1 699 948)</b>	<b>3 187 374</b>	<b>4 447 661</b>	<b>(1 713 101)</b>	<b>2 734 560</b>

### Reconciliation of living resources - 2022

	Opening balance	Write offs	Additions	Accumulated depreciation write off	Depreciation	Total
Water Buck	219 696	-	233 680	-	(16 782)	436 594
Springbok	313 210	-	44 565	-	(11 572)	346 203
Red Hartebees	346 726	(73 873)	-	24 713	(6 392)	291 174
Ostrich	24 007	-	-	-	(398)	23 609
Impala	128 080	(96 347)	-	48 210	(3 127)	76 816
Giraffe	58 871	(33 325)	-	16 921	(1 458)	41 009
Gemsbuck	25 232	(7 970)	-	3 023	(498)	19 787
Eland	173 588	-	211 293	-	(11 406)	373 475
Bles Buck	238 543	-	120 600	-	(16 554)	342 589
Muscovey/Makoue	780	(1 614)	-	1 286	(37)	415
Black Wildebeest	741 248	(57 067)	-	20 330	(14 118)	690 393
Hippo	39 840	-	-	-	(1 334)	38 506
Zebra	44 238	-	34 320	-	(2 562)	75 996
Cattle	45 512	-	56 650	-	(7 906)	94 256
Sheep	36 284	-	8 750	-	(2 130)	42 904
Lion	298 705	-	-	-	(5 057)	293 648
<b>Total</b>	<b>2 734 560</b>	<b>(270 196)</b>	<b>709 858</b>	<b>114 483</b>	<b>(101 331)</b>	<b>3 187 374</b>

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### Reconciliation of living resources - 2021

	Opening balance	Write off	Additions	Accumulated depreciation write off	Depreciation	Total
Water Buck	114 519	-	113 880	-	(8 703)	219 696
Springbok	214 554	-	115 913	-	(17 257)	313 210
Red Hartebees	179 338	-	182 927	-	(15 539)	346 726
Ostrich	24 406	-	-	-	(399)	24 007
Mountain Reedbuck	5 633	(16 592)	-	11 165	(206)	-
Impala	169 922	(73 798)	-	36 005	(4 049)	128 080
Giraffe	43 932	-	16 834	-	(1 895)	58 871
Gemsbuck	18 391	-	7 625	-	(784)	25 232
Eland	195 630	(25 561)	-	6 794	(3 275)	173 588
Bles Buck	326 170	(150 286)	-	70 128	(7 469)	238 543
Muscovey/Wildebeest	1 183	(1 321)	-	972	(54)	780
Black Wildebeest	498 434	-	270 456	-	-	741 248
Hippo	41 173	-	-	-	(1 333)	39 840
Zebra	41 171	-	4 208	-	(1 141)	44 238
Cattle	28 956	-	20 600	-	(4 044)	45 512
Sheep	49 760	(27 640)	-	15 546	(1 382)	36 284
Lion	425 267	(161 824)	-	42 342	(7 080)	298 705
	<b>2 378 439</b>	<b>(457 022)</b>	<b>732 443</b>	<b>182 952</b>	<b>(74 610)</b>	<b>2 734 560</b>

### 7. Operating lease asset and liability

Current assets	36 636	84 604
Current liabilities	-	(76)
	<b>36 636</b>	<b>84 528</b>

Leases of assets where all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Monies received under operating leases are recognised to the Statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10% per annum.

### 8. VAT receivable

VAT	43 910 488	44 334 118
-----	------------	------------

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	714 684 722	-	714 684 722	687 975 265	-	687 975 265

#### Reconciliation of investment property - 2022

	Opening balance	Additions	Derecognition	Fair value adjustments	Total
Investment property	687 975 265	6 647 000	(2 873 880)	22 936 337	714 684 722

#### Reconciliation of investment property - 2021

	Opening balance	Derecognition	Fair value adjustments	Total
Investment property	692 045 241	(10 750 256)	6 680 280	687 975 265

#### 2022

The investment property of the municipality was fair valued by an independent valuer (Penny Brothers) using the direct comparison method of valuation.

#### 2021

The investment property of the municipality was fair valued by an independent valuer (Penny Brothers) using the direct comparison method of valuation.

## Notes to the Annual Financial Statements

Figures in Rand

### 10. 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	38 522 478	-	38 522 478	37 923 172	-	37 923 172
Buildings	555 713 371	(387 983 632)	167 729 739	555 716 594	(378 384 884)	177 331 710
Other Assets	164 790 534	(133 996 523)	30 794 011	158 687 957	(123 797 237)	34 890 720
Infrastructure Assets	9 721 481 841	(5 469 303 385)	4 252 178 456	9 573 806 048	(5 285 321 172)	4 288 484 876
Community Assets	1 746 960 246	(582 206 635)	1 164 753 611	1 608 978 463	(543 351 862)	1 065 626 601
Leased Assets	212 547 866	(212 252 686)	295 180	212 547 866	(202 208 408)	10 339 458
<b>Total</b>	<b>12 440 016 336</b>	<b>(6 785 742 861)</b>	<b>5 654 273 475</b>	<b>12 147 660 100</b>	<b>(6 533 063 563)</b>	<b>5 614 596 537</b>

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions (Capitalised costs)	Derecognition	Depreciation	Impairment loss	Total
Land	37 923 172	599 306	-	-	-	38 522 478
Buildings	177 331 710	-	(3 223)	(7 652 226)	(1 946 522)	167 729 739
Other Assets	34 890 720	7 160 030	(1 057 453)	(10 199 286)	-	30 794 011
Infrastructure Assets	4 288 484 876	147 828 021	(152 227)	(173 647 784)	(10 334 430)	4 252 178 456
Community Assets	1 065 626 601	141 049 516	(3 067 733)	(30 153 354)	(8 701 419)	1 164 753 611
Leased Assets	10 339 458	-	-	(10 044 278)	-	295 180
	<b>5 614 596 537</b>	<b>296 636 873</b>	<b>(4 280 636)</b>	<b>(231 696 928)</b>	<b>(20 982 371)</b>	<b>5 654 273 475</b>

Included in the additions above is Work In Progress expenditure incurred during the current financial year amounted to R 739 382 355 .

#### Repairs and maintenance

All repairs and maintenance for the 2022 financial year amounting to R 339 673 144 were incurred in respect of property, plant and equipment.

#### Repairs and maintenance per asset class - 2022

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	91 363 994	160 008 363	217 244	14 249 208	265 838 809
Community Assets	49 644 007	6 677 772	82 126	2 229 694	58 633 599
Other Assets	10 328 594	4 671 538	-	200 604	15 200 736
	<b>151 336 595</b>	<b>171 357 673</b>	<b>299 370</b>	<b>16 679 506</b>	<b>339 673 144</b>

#### Repairs and maintenance per asset class - 2021

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	88 652 396	193 366 454	82 699	9 461 413	291 562 962
Community Assets	48 133 113	9 556 251	97 052	1 182 548	58 968 964
Other Assets	9 996 879	2 256 704	-	257 937	12 511 520
	<b>146 782 388</b>	<b>205 179 409</b>	<b>179 751</b>	<b>10 901 898</b>	<b>363 043 446</b>

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions (Capitalised Cost)	Derecognition	Depreciation	Impairment loss	Total
Land	37 923 172	-	-	-	-	37 923 172
Buildings	187 492 226	200 642	(2 236 483)	(8 124 675)	-	177 331 710
Other Assets	36 463 276	4 329 418	(501 427)	(5 382 474)	(18 073)	34 890 720
Infrastructure Assets	4 365 094 876	103 834 927	(2 685)	(180 442 242)	-	4 288 484 876
Community Assets	1 057 135 949	36 003 820	(616 451)	(26 896 717)	-	1 065 626 601
Leased assets	32 683 017	-	-	(22 343 559)	-	10 339 458
	<b>5 716 792 516</b>	<b>144 368 807</b>	<b>(3 357 046)</b>	<b>(243 189 667)</b>	<b>(18 073)</b>	<b>5 614 596 537</b>



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

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

Included in the above property, plant and equipment are the following capital WIP amounts

#### WIP Accounts

Capital WIP - Building Property	-	21 315
Capital WIP - Community Assets	474 301 386	390 360 046
Capital WIP - Infrastructure Assets	265 080 969	154 298 947
Capital WIP - Other Assets	-	27 565
	<b>739 382 355</b>	<b>544 707 873</b>

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

#### Work in progress with no movement

##### Asset Class

	Capital Cost Opening	Capital Cost Year	Closing Cost
Community Assets	133 205 948	-	133 205 948
<b>Infrastructure Assets</b>			
Electricity Network	35 562 986	-	35 562 986
Water Supply Network	12 773 794	-	12 773 794
	<b>181 542 728</b>	<b>-</b>	<b>181 542 728</b>

#### Community Assets

The projects with no movement include the following: Kagiso Ext 13 housing development and Dr Sefolaro & Dr Motlana housing development. There was no movement due to budget constraints.

#### Electricity Assets

The projects with no movement under electricity network relate to professional fees and due to projects being put on hold as a result of budget constraints.

#### Water Supply Network

The projects with no movement include the following but not limited to: Pongoville extension of bulk pipeline and water pipeline in Magaliesburg. Projects were put on hold due to budget constraints.

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	43 860 695	(40 299 243)	3 561 452	40 730 261	(37 684 490)	3 045 771

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions (Capitalised costs)	Amortisation	Total
Computer software	3 045 771	3 130 434	(2 614 753)	3 561 452

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions (Capitalized costs)	Amortisation	Total
Computer software	5 045 431	347 826	(2 347 486)	3 045 771

### 12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 450 275	-	2 450 275	2 450 275	-	2 450 275

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 12. Heritage assets (continued)

#### Reconciliation of heritage assets 2022

	Opening balance	Total
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 450 275	2 450 275

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Library books, Chief Mogale Statue & Concentration camp graves	2 450 275	2 450 275

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>13. Financial assets</b>		
<b>Residual interest at cost</b>		
Listed shares	516 011	598 971
Listed shares (9760 interest in ordinary shares)		
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R52.87 (2021: R61.37) per share (level 1)		
<b>Non-current assets</b>		
Residual interest at cost	516 011	598 971
<b>Financial assets at fair value</b>		
<b>Fair value hierarchy of financial assets at fair value</b>		
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.		
<b>Level 1</b>		
Listed shares (9670 interest in ordinary shares)	516 011	598 971
<b>14. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Medical aid fund	(189 899 000)	(183 921 582)
Long service awards	(51 780 000)	(61 024 849)
Ex-gratia benefits	(315 600)	(677 836)
	<b>(241 994 600)</b>	<b>(245 624 267)</b>
<b>Non-current liabilities</b>	(227 447 000)	(231 342 680)
<b>Current liabilities</b>	(14 547 600)	(14 281 587)
	<b>(241 994 600)</b>	<b>(245 624 267)</b>

The employee benefit obligations were calculated by ARCH Actuarial Consulting from employee information compiled and submitted by the municipality.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>14. Employee benefit obligations (continued)</b>		
<b>Changes in the present value of the defined benefit obligation are as follows:Medical aid subsidy</b>		
Opening balance	183 921 582	157 753 595
Net expense recognised in the statement of financial performance	5 977 418	26 167 987
	<b>189 899 000</b>	<b>183 921 582</b>
<b>Changes in the present value of the defined benefit obligation are as follows:Long service award</b>		
Opening balance	61 024 849	61 954 061
Net expense recognised in the statement of financial performance	(9 244 849)	(929 212)
	<b>51 780 000</b>	<b>61 024 849</b>
<b>Changes in the present value of the defined benefit obligation are as follows:Ex-gratia benefits</b>		
Opening balance	677 836	657 469
Net expense recognised in the statement of financial performance	(362 236)	20 367
	<b>315 600</b>	<b>677 836</b>
<b>Net expense recognised in the statement of financial performance:Medical aid subsidy</b>		
Current service cost	8 686 340	8 020 985
Past service cost	(7 019 001)	(7 155 321)
Interest cost	19 568 192	20 758 151
Actuarial (gains) losses	(15 258 113)	4 544 172
	<b>5 977 418</b>	<b>26 167 987</b>
<b>Net expense recognised in the statement of financial performance:Long service award</b>		
Current service cost	4 503 008	4 484 406
Past service cost	(9 758 891)	(12 967 475)
Interest cost	4 463 088	4 406 430
Actuarial (gains) losses	(8 452 054)	3 147 427
	<b>(9 244 849)</b>	<b>(929 212)</b>
<b>Net expense recognised in the statement of financial performance:Ex-gratia benefits</b>		
Past service cost	(385 104)	-
Interest cost	20 149	24 314
Actuarial (gains) losses	2 719	(3 947)
	<b>(362 236)</b>	<b>20 367</b>

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 14. Employee benefit obligations (continued)

#### Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	11,81 %	10,86 %
Health care cost inflation	8,43 %	7,56 %
Net discount rate	3,12 %	3,07 %

The basis used to determine the discount rate

A discount rate of 11.81% per annum has been used. The corresponding index-linked yield at this term is 4.10%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability).

#### Health Care Cost Inflation Rate

A health care cost inflation rate of 8.43% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.93%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.12% which derives from  $((1+11.81\%)/(1+8.43\%))-1$ .

The expected inflation assumption of 6.93% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.10%) and those of fixed interest bonds (11.81%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $((1+11.81\%-0.50\%)/(1+4.10\%))-1$ .

The next contribution increase was assumed to occur with effect from 1 January 2023.

#### Sensitivity Analysis

The liability at the Valuation Date was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the assumed rate of health care cost inflation;
- (ii) a one percentage point increase and decrease in the discount rate;
- (iii) a one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) a one-year decrease in the assumed average retirement age; and
- (v) a decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

#### Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Eligible employees	Continuation members	Total	% Change
Central assumptions		118.870	71.029	189.899	
Health care inflation rate	+1%	127.654	73.375	201.029	6%
	-1%	107.214	68.056	175.270	-8%
Discount rate	+1%	101.660	66.034	167.694	-12%
	-1%	140.497	76.764	217.261	14%
Post-employment mortality	+1%	116.173	68.631	184.804	-3%
	-1%	121.500	73.424	194.924	3%
Average retirement age	-1 yr	129.869	71.029	200.898	6%
Membership continuation	-10%	103.713	71.029	174.742	-8%

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 14. Employee benefit obligations (continued)

The post-employment mortality adjustment “-1 yr”, for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

#### Sensitivity Analysis on Current-Service and Interest Costs

Assumption	Change	Current-Service Cost	Interest Cost	Total	% Change
Central assumptions		8,686,340	19,568,192	28,254,532	
Health care inflation rate	+1%	10,401,484	22,298,377	32,699,861	16%
	-1%	7,311,108	17,291,806	24,602,914	-13%
Discount rate	+1%	7,457,103	19,057,109	26,514,212	-6%
	-1%	10,218,836	20,092,122	30,310,958	7%
Post-employment mortality	-1%	8,851,816	20,069,166	28,920,982	2%
Average retirement age	-1 yr	9,191,365	20,653,815	29,845,180	6%
Membership continuation	-10%	7,817,706	18,378,435	26,196,141	-7%

### Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	10,87 %	7,72 %
Salary increase rate	7,33 %	5,33 %
Net discount rate	3,30 %	2,27 %

The basis used to determine the discount rate

A discount rate of 10.87% per annum has been used. The corresponding liability-weighted index-linked yield is 3.79%. These rates do not reflect any adjustment for taxation and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022.

These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The duration of the total liability was estimated to be 8.25 years.

#### Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

#### General Earnings Inflation Rate

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 6.33% was obtained from the differential between market yields on index-linked bonds (3.79%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.87%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+10.87\%-0.50\%)/(1+3.79\%))-1$ .

Thus, a general earnings inflation rate of 7.33% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.30%.

It was assumed that the next general earnings increase will take place on 1 July 2023.

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 14. Employee benefit obligations (continued)

#### Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
- (ii) a one percentage point increase and decrease in the discount rate;
- (iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- (iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

#### Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central assumptions		51,780,000	
General earnings inflation rate	+1%	54,663,000	6%
	-1%	49,143,000	-5%
Discount rate	+1%	49,048,000	-5%
	-1%	54,816,000	6%
Average retirement age	+2 yrs	58,490,000	13%
	-2 yrs	45,372,000	-12%
Withdrawal rates	x2	43,018,000	-17%
	x0.5	57,640,000	11%

#### Sensitivity Analysis on Current-Service and Interest Costs

Assumption	Change	Current-Service Cost	Interest Cost	Total	% Change
Central assumptions		4,503,008	4,463,088	8,966,096	
General earnings inflation rate	+1%	4,843,309	4,769,811	9,613,120	7%
	-1%	4,196,805	4,183,829	8,380,634	-7%
Discount rate	+1%	4,205,880	4,736,395	8,942,275	0%
	-1%	4,838,638	4,147,364	8,986,002	0%
Average retirement age	+2 yrs	4,984,137	5,102,266	10,086,403	12%
	-2 yrs	4,053,388	3,867,271	7,920,659	-12%
Withdrawal rates	x50	5,226,020	5,035,286	10,261,306	14%

#### Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	6,19 %	4,15 %
Lumpsum increase rate	5,77 %	3,31 %
Net discount rate	0,40 %	0,81 %

The basis used to determine the discount rate

A discount rate of 6.19% per annum has been used. The corresponding index-linked yield at this term is 0.88%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.



## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 14. Employee benefit obligations (continued)

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability, which in turn depends on the yields). The liability's duration has been estimated to be 0.5 years.

#### General Earnings Inflation Rate

This assumption is required to reflect estimated future changes to employees' earnings.

An earnings inflation rate of 5.77% has been assumed. This is 1.00% in excess of expected CPI inflation over the expected term of the liability, namely 4.77%. This implies a net discount rate of 0.40%, which derives from  $((1+6.19\%)/(1+5.77\%))-1$ .

The expected CPI inflation assumption of 4.77% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (0.88%) and those of fixed interest bonds (6.19%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $((1+6.19\%-0.50\%)/(1+0.88\%))-1$ .

The next earnings increase was assumed to occur with effect from 1 July 2023.

#### Sensitivity Analysis

The liability at the Valuation Date was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the discount rate; and
- (ii) a one-year increase and decrease in the assumed average retirement age.

#### Sensitivity Analysis on the Accrued Liability (Rands)

Assumption	Change	Total	% Change
Central assumptions		315,600	
Discount rate	+1%	314,300	0%
	-1%	317,400	1%
Average retirement age	+1 yr	314,200	0%
	-1 yr	316,400	0%

#### Sensitivity Analysis on Interest Cost

Assumption	Change	Interest Cost	% Change
Central assumptions		20,149	
Discount rate	+1%	20,090	0%
	-1%	20,211	0%
Average retirement age	-1 yr	20,272	1%

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	225 609	14 900 672
- in second to fifth year inclusive	589 392	645 969
- later than five years	1 281 532	1 450 564
	<u>2 096 533</u>	<u>16 997 205</u>
less: future finance charges	(1 053 121)	(3 099 008)
<b>Present value of minimum lease payments</b>	<b>1 043 412</b>	<b>13 898 197</b>
<b>Present value of minimum lease payments due</b>		
- within one year	93 189	12 854 784
- in second to fifth year inclusive	87 305	131 772
- later than five years	862 918	911 641
	<u>1 043 412</u>	<u>13 898 197</u>
Non-current liabilities	950 224	1 043 413
Current liabilities	93 189	12 854 784
	<u>1 043 413</u>	<u>13 898 197</u>

The average lease term for buildings leased is 30 years at an effective borrowing rate of 13.50% . With fixed contract interest rates from inception. Repayment of leases are fixed, or may escalate and some may fluctuate with the prime lending rate depending on the terms agreed upon.

<b>Assets acquired through finance leases - 2022</b>	Carrying value at the beginning of the year	Depreciation	Carrying value at the end of the year
Buildings	117 723	(10 187)	107 536
Vehicles	10 138 964	(10 071 006)	67 958
	<u>10 256 687</u>	<u>(10 081 193)</u>	<u>175 494</u>

<b>Assets acquired through finance leases - 2021</b>	Carrying value at the beginning of the year	Depreciation	Carrying value at the end of the year
Buildings	127 910	(10 187)	117 723
Vehicles	31 815 200	(21 676 236)	10 138 964
Equipment	651 922	(651 922)	-
	<u>32 595 032</u>	<u>(22 338 345)</u>	<u>10 256 687</u>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

West Rand District Municipality (WRDM)	995 049	1 091 200
Neighbourhood Development Partnership Grant (NDPG)	-	274
Human Settlement Development Grant (HSDG)	-	31 747 907
Water Services Infrastructure Grant (WSIG)	3 588 261	-
Department of Sports, Arts, Culture and Recreation (SRAC)	2 268 066	959 507
Integrated National Electrification Programme (INEP)	-	9 125
Property Master & Valuation Management System	-	3 600 000
	<b>6 851 376</b>	<b>37 408 013</b>

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as 'transfers' recognised to revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of section 22 of the Division of Revenue Act and criteria for the roll-overs of unspent conditional grant funds.

See note 31 for reconciliation of grants from National/Provincial Government.

### 17. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Write-off	Change in discount factor	Interest charge	Total
Luipaardsvlei Landfill site rehabilitation	102 911 455	-	(16 328 227)	7 793 999	94 377 227
Magalies Landfill Site rehabilitation	4 030 035	-	(466 800)	285 065	3 848 300
Provision for performance bonuses	8 154 705	(8 154 705)	-	-	-
	<b>115 096 195</b>	<b>(8 154 705)</b>	<b>(16 795 027)</b>	<b>8 079 064</b>	<b>98 225 527</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Luipaardsvlei Landfill site rehabilitation	75 268 345	-	27 643 110	102 911 455
Magalies Landfill Site rehabilitation	11 666 741	-	(7 636 706)	4 030 035
Provision for performance bonuses	5 864 567	2 290 138	-	8 154 705
	<b>92 799 653</b>	<b>2 290 138</b>	<b>20 006 404</b>	<b>115 096 195</b>

Non-current liabilities	97 936 220	106 649 024
Current liabilities	289 306	8 447 171
	<b>98 225 526</b>	<b>115 096 195</b>

In terms of the review performed by MSW Consortium provision required for restoration of the existing landfill sites is as follows:

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 17. Provisions (continued)

1. The Luipaardsvlei Landfill Site expected remaining life of the landfill is estimated at 5 years.
2. The Magaliesburg Landfill Site expected remaining life of the landfill is estimated at 0 years.
3. Based on the above, the provisions at 30 June 2022 are as follows:

	2022	2021
a. Luipaardsvlei Landfill Site	R94 377 227	R102 911 455
b. Magalies Landfill Site	R3 848 300	R4 030 035
Total Provision	R98 225 527	R106 941 490

### 18. Payables from non-exchange transactions

Credit balance transferred from receivables from non-exchange transactions	110 431 131	101 998 774
--	-------------	-------------

### 19. Payables from exchange transactions

Trade payables	993 801 325	712 772 333
Credit balance transferred from receivables from exchange transactions	8 747 504	11 988 954
Current lease liability	9 022 222	9 988 889
Unpresented payments	44 602 146	71 429 844
Third party payments	1 168 579	783 470
Unknown Deposits	20 696 705	28 257 684
Retention	46 971 060	34 793 189
Overtime accrual	3 155 401	2 779 633
Leave accrual	88 535 464	91 748 895
13th cheque accrual	16 973 273	16 411 255
Salary accrual	466 917	133 537
	<b>1 234 140 596</b>	<b>981 087 683</b>

For the current financial year the cash flow constraints that the municipality experienced over the past years was aggravated by a decrease in revenue collection mainly due to the global economical crisis as results of Covid 19 ramification.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>20. Financial liabilities</b>		
<b>At amortised cost</b>		
ABSA	-	697 008
An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum, repayable monthly in equal instalments. This loan will be fully paid on 2 August 2021.		
NEDBANK	99 695 590	113 014 403
An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 December 2027.		
DBSA	119 382 642	135 479 178
L239DBSA2029		
An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of 15 years.		
<b>Financial liabilities</b>	<b>219 078 232</b>	<b>249 190 589</b>
<b>2022</b>		
During the year under review Mogale City did not source new loan financing.		
<b>2021</b>		
During the financial year, Mogale City did not source loan financing.		
<b>Non-current liabilities</b>		
At amortised cost	188 382 569	219 078 232
<b>Current liabilities</b>		
At amortised cost	30 695 663	30 112 356
<b>21. Sundry deposits</b>		
Sundry deposits	12 815 095	12 679 550
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
<b>22. Consumer deposits and guarantees</b>		
Electricity	40 584 858	39 018 506
Water	26 677 432	24 757 031
	<b>67 262 290</b>	<b>63 775 537</b>

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 23. Financial instruments disclosure

#### Categories of financial instruments

##### 2022

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	277 423 225	277 423 225
Receivables from exchange transaction (refer to note 4)	-	442 187 677	442 187 677
Cash and cash equivalents (refer to note 5)	-	66 038 108	66 038 108
Call accounts (refer to note 5)	-	75 798 423	75 798 423
Financial assets (refer to note 13)	516 011	-	516 011
	<b>516 011</b>	<b>861 447 433</b>	<b>861 963 444</b>

#### Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 15)	1 043 413	1 043 413
Payables from non-exchange transactions (refer to note 18)	110 431 131	110 431 131
Payables from exchange transactions (refer to note 19)	1 234 140 596	1 234 140 596
Current financial liabilities (refer to note 20)	30 695 663	30 695 663
Non-current financial liabilities (refer to note 20)	188 382 569	188 382 569
Sundry deposits (refer to note 21)	12 815 095	12 815 095
Consumer deposits (refer to note 22)	67 262 290	67 262 290
	<b>1 644 770 757</b>	<b>1 644 770 757</b>

##### 2021

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	276 310 457	276 310 457
Receivables from exchange transaction (refer to note 4)	-	348 313 360	348 313 360
Cash and cash equivalents (refer to note 5)	-	56 475 066	56 475 066
Call accounts (refer to note 5)	-	8 449 361	8 449 361
Financial assets (refer to note 13)	598 971	-	598 971
	<b>598 971</b>	<b>689 548 244</b>	<b>690 147 215</b>

#### Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 15)	13 898 197	13 898 197
Payables from non-exchange transactions (refer to note 18)	101 998 774	101 998 774
Payables from exchange transactions (refer to note 19)	981 087 683	981 087 683
Current financial liabilities (refer to note 20)	30 112 356	30 112 356
Non-current financial liabilities (refer to note 20)	219 078 232	219 078 232
Sundry deposits (refer to note 21)	12 679 550	12 679 550
Consumer deposits (refer to note 22)	63 775 537	63 775 537
	<b>1 422 630 329</b>	<b>1 422 630 329</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>24. Service charges</b>		
Sale of electricity	1 163 818 626	1 029 047 317
Sale of water	414 347 161	388 582 482
Sewerage and sanitation charges	252 034 300	231 439 987
Refuse removal	132 969 328	127 835 247
Less: Income foregone Rebates & Indigent subsidies)	(37 965 862)	(37 421 153)
	<b>1 925 203 553</b>	<b>1 739 483 880</b>
<b>25. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	4 766 492	5 538 061
Rental of laps and carports	77 192	79 928
Rental of halls	206 212	176 302
Other rentals	61 711	71 744
	<b>5 111 607</b>	<b>5 866 035</b>
<b>26. Income from agency services</b>		
Agency Services	22 305 292	25 125 453
<b>27. Operational revenue</b>		
Administration fees	141 298	161 189
Advertising	230 023	167 110
Application fees	880 898	783 683
Building plan fees	6 470 656	4 328 762
Bulk service connections	2 328 797	1 723 852
Cemetery fees	2 880 757	3 577 006
Contributions Developers	2 333 446	5 210 257
Insurance claims	1 691 683	153 741
Other income	16 200 176	12 425 878
Service connections	11 927 318	10 812 485
Donations/Assets transferred (Assets aquired at no cost)	1 395 914	1 532 494
Training grant	334 974	673 383
Actuarial gains	23 710 167	3 947
	<b>70 526 107</b>	<b>41 553 787</b>
<b>28. Interest received - Outstanding debtors</b>		
Interest received	50 780 655	33 440 418
<b>29. Investment revenue</b>		
<b>Dividend revenue</b>		
Dividends	26 079	23 424
<b>Interest revenue</b>		
Interest on investment	1 100 486	2 099 958
Interest on favourable balances	1 488 712	1 798 700
	<b>2 589 198</b>	<b>3 898 658</b>
<b>Total revenue from investments</b>	<b>2 615 277</b>	<b>3 922 082</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Statutory income: Property rates</b>		
<b>Rates received</b>		
Residential	528 813 218	479 706 898
Commercial & Educational Institutions	325 003 420	318 901 061
Small holdings and farms	34 480 613	34 015 928
Less: Income foregone (Rebates & subsidies)	(339 669 514)	(328 559 399)
	<b>548 627 737</b>	<b>504 064 488</b>



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Transfers and subsidies</b>		
<b>Operating grants</b>		
Equitable share	471 790 000	511 573 001
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	10 172 694	13 853 553
Expanded public works programme (EPWP)	7 702 000	6 897 000
COGTA - GRAP 17	1 000 000	-
Performance Management Grant (PMG)	-	750 000
WRDM: HIV/AIDS Grant	5 096 311	3 846 920
Sport, Art, Culture and Recreation (SRAC)	18 036 643	12 500 000
Finance Management Grant (FMG)	1 440 000	1 306 985
Expanded Public Works Programme (EPWP) COGTA	537 000	1 000 000
	<b>515 774 648</b>	<b>551 727 459</b>
<b>Capital grants</b>		
Integrated National Electrification Programme (INEP)	18 512 998	23 840 875
Water Services Infrastructure grant (WSIG)	51 411 739	42 200 000
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	132 801 305	109 418 177
Human Settlement Development Grant (HSDG)	86 076 203	16 699 088
Expanded Public Work Programme (EPWP)	-	120 000
Property Master and Valuation Management System - COGTA	3 600 000	400 000
Sport, Art, Culture and Recreation (SRAC)	2 875 798	6 040 493
Neighbourhood Development Partnership Grant (NDPG)	-	4 999 726
Finance Management Grant (FMG)	110 000	243 015
	<b>295 388 043</b>	<b>203 961 374</b>
	<b>811 162 691</b>	<b>755 688 833</b>
<b>Integrated Urban Development grant (IUDG)</b>		
Balance unspent at beginning of year	-	4 978 731
Current-year receipts	142 974 000	118 293 000
Conditions met - transferred to revenue	(142 974 000)	(123 271 731)
	-	-
<b>Neighbourhood Development Partnership grant (NDPG)</b>		
Balance unspent at beginning of year	274	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(4 999 726)
Transfers/Adjustments	(274)	-
	-	<b>274</b>
<b>Department of Human Settlements</b>		
Balance unspent at beginning of year	31 747 907	-
Current-year receipts	54 329 296	48 446 995
Conditions met - transferred to revenue	(86 076 203)	(16 699 088)
Transfers/Adjustments	(1 000)	-
	-	<b>31 747 907</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Water Services Infrastructure grant (WSIG)</b>		
Current-year receipts	55 000 000	42 200 000

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Transfers and subsidies (continued)</b>		
Conditions met - transferred to revenue	(51 411 739)	(42 200 000)
	<b>3 588 261</b>	-
Conditions still to be met - remain liabilities (see note 16).		
<b>Department of Sports, Arts, Culture &amp; Recreation (SRAC)</b>		
Balance unspent at beginning of year	959 507	-
Current-year receipts	22 221 000	19 500 000
Conditions met - transferred to revenue	(20 912 441)	(18 540 493)
	<b>2 268 066</b>	<b>959 507</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Finance Management Grant (FMG)</b>		
Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue	(1 550 000)	(1 550 000)
	-	-
<b>West Rand District Municipality (WRDM)</b>		
Balance unspent at beginning of year	1 091 200	759 366
Current-year receipts	5 000 160	4 178 754
Conditions met - transferred to revenue	(5 096 311)	(3 846 920)
	<b>995 049</b>	<b>1 091 200</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Integrated National Electrification programme (INEP)</b>		
Balance unspent at beginning of year	9 125	-
Current-year receipts	18 513 000	23 850 000
Conditions met - transferred to revenue	(18 512 998)	(23 840 875)
Transfers/Adjustments	(9 127)	-
	-	<b>9 125</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Expanded Public Works Programme (EPWP)</b>		
Current-year receipts	7 702 000	7 017 000
Conditions met - transferred to revenue	(7 702 000)	(7 017 000)
	-	-
<b>Performance Management Grant</b>		
Balance unspent at beginning of year	-	750 000
Conditions met - transferred to revenue	-	(750 000)
	-	-
<b>Expanded Public Works Programme (EPWP)</b>		
Current-year receipts	537 000	1 000 000

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Transfers and subsidies (continued)</b>		
Conditions met - transferred to revenue	(537 000)	(1 000 000)
	-	-
<b>Property Master &amp; Management Valuation System Grant</b>		
Balance unspent at beginning of year	3 600 000	-
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	(3 600 000)	(400 000)
	-	<b>3 600 000</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>GRAP 17</b>		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	-
<b>32. Fines, Penalties and Forfeits</b>		
Statutory income: Traffic fines	43 384 743	108 724 238
Penalties and Admin fees	19 104 680	1 006 894
Library Fines	1 807	1 209
	<b>62 491 230</b>	<b>109 732 341</b>

Revenue from traffic fines is recognised on the accrual basis. The municipality had procured a contract for speed cameras in order to issue traffic fines, however the contract has expired during the year under review.

Revenue from penalties and admin fees is income for serving final demand notices and for disconnection of water and electricity for debt collection purposes.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. Fair value adjustments</b>		
Fair value gains	22 936 335	6 703 997
Fair value losses	(82 960)	-
	<b>22 853 375</b>	<b>6 703 997</b>

### Fair value adjustment

The investment property of the municipality was fair valued by an independent valuer (Penny Brothers) using the direct comparison method of valuation.

### Shares fair value adjustment

The shares held by Sanlam Pty Ltd on behalf of the municipality at a market value of R52.87: 2022 (R61.37: 2021) has depreciated.

### 34. Employee related costs

Basic salaries	536 384 637	535 869 813
Bonus	37 970 005	37 587 595
Medical aid - company contributions	36 683 070	36 201 625
UIF	3 390 463	3 092 268
Industrial council levy	189 640	168 216
Employee Benefit Obligation - Interest	24 051 429	25 188 895
Leave provision and payments	2 152 620	9 413 704
Actuarial losses	2 719	7 691 599
Skills Development Levy	6 353 749	5 259 671
Defined contribution plans	93 994 791	93 144 365
Overtime payments	35 221 217	31 019 229
Long-service awards	411 742	-
Acting allowances	841 227	231 154
Car allowance	52 987 488	52 108 988
Housing subsidy	3 869 135	3 948 025
Accounting Officer and Senior Managers	15 979 422	16 299 861
	<b>850 483 354</b>	<b>857 225 008</b>

### 35. Remuneration of councillors

Executive Mayor	1 015 026	1 062 705
Chief Whip	773 640	805 366
Speaker	822 371	856 207
Municipal Public Accounts Committee (MPAC)	701 238	783 178
Mayoral Committee Members	7 395 234	8 054 038
Part time councillors	23 214 866	22 930 513
	<b>33 922 375</b>	<b>34 492 007</b>

### 36. Depreciation and amortisation

Property, plant and equipment	232 364 862	243 291 922
Intangible assets	2 614 753	2 347 486
	<b>234 979 615</b>	<b>245 639 408</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>37. Impairment of assets</b>		
<b>Impairments</b>		
Impairments	20 982 371	18 073
Property, plant and equipment		
<b>38. Finance costs</b>		
Interest paid	27 494 539	38 462 789

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>39. Debt impairment</b>		
Debt impairment	266 202 205	214 113 648
<b>40. Collection cost</b>		
Collection cost	33 218 658	32 156 852
<b>41. Bulk purchases</b>		
Electricity - Eskom	952 532 637	804 318 063
Water - Rand Water	382 647 725	356 535 197
Wastewater sewer discharge: Johannesburg Water	9 448 547	10 467 637
	<b>1 344 628 909</b>	<b>1 171 320 897</b>

# Notes to the Annual Financial Statements

Figures in Rand

2022

2021

## 41. Bulk purchases (continued)

### 2022

#### Electricity Losses

During the year under review Mogale City Local Municipality had unaccounted electricity of 12,58% which amounts to 84, 123, 661.63kwh. The total rand value of these losses was R 122,399,864.03. The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The electricity losses in the 2021/22 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

#### Mitigations:

1. Replace old meters that are not accurate with new digital/smart meters.
2. Electrify informal settlements to reduce illegal connections. There is currently an outstanding of 400 households to be inspected, the project is funded by INEP
3. Electricians are doing frequent inspections of meters to find consumers who are tampering with meters, as when culprits are found the municipality issues fines and fixes the tampering
4. Community outreach
5. Upgrade the electricity distribution network used for bulk distribution for electricity is not efficient as its operating at a low voltage

### 2021

#### Electricity Losses

During the year under review Mogale City Local Municipality had unaccounted electricity of 11.94% which amounts to 82, 081, 133.20kwh. The total rand value of these losses was R 104,980,671.14. The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The electricity losses in the 2020/21 financial year were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

#### Mitigations:

Replacement of old analogue induction meters with digital meters to reduce measurement errors.  
Continuous inspection of meter installations to identify and resolve faulty and tampered meters.  
Expanding electrification programmes to eradicate illegal electricity connections to the extent of INEP support.

### 2022

#### Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 17,75% (non-technical losses), 6,208,984.44 kl. The total rand value of these non-technical losses were R 66,246,220.22.

#### Identified causes of water losses:

1. Prepaid and Conventional Water Meter Audits, Repairs and Replacement
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

#### Corrective measures to be implemented

Implementation of the Water Conservation & Demand strategy; which includes but not limited to:

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 41. Bulk purchases (continued)

1. Drafting of Business plans to request external funding;
2. Reduce the turnaround time of attending to burst pipe & other reported water disruption activities;
3. Replacement of non-functional bulk and residential water meters;
4. Metering of municipal facilities and informal settlements;
5. Installation of check meters on reservoirs and take off points from Rand Water & Joburg Water;
6. Implementation of the Pressure management Plan;
7. Repair of leaking reservoirs.

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 5,309,717.55 kl amounting to R56,685,952.16.

### 2021

#### Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 15.77% (non-technical losses), 5,425,562.04 kl. The total rand value of these non-technical losses were R 54,747,317.61.

Identified causes of water losses:

1. Unmetered facilities
2. Non-functional bulk water meters
3. Leaking reservoirs
4. Aged Asbestos Pipe Infrastructure, which frequently collapse due to high pressure in the system as well as age of the pipeline system
5. Faulty and leaking water meters
6. Frequent Burst Pipes contributing to high water loss
7. High Pressure in the Distribution System

Planned corrective measures:

1. Metering of informal settlements and all unmetered areas
2. Replacement/Installation/Metering of 316 Businesses/Industrial Bulk Water Meters
3. Reservoirs Leakage Investigation and Repairs
4. Aged Water Pipeline Infrastructure Asset Replacement Plan/Programme to be developed. Priority Approach to Aged Water Pipe Replacement has been developed.
5. Audit of prepaid water meters where non-purchase has been conducted
6. Fleet and personnel resources to be increased to improve on a turn-around time for burst pipe repairs to reduce wastage of water
7. Pressure Management Infrastructure Maintenance Plan to be developed and implemented

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 5,164,796.40 kl amounting to R52,116,058.74.

### 42. Contracted services

Information Technology Services	21 818 800	7 642 116
Fleet Services	35 576 753	37 435 124
Operating Leases	7 693 216	7 406 375
Specialist Services	5 785 102	5 647 191
Repairs and maintenance	170 051 909	207 697 360
COVID-19 - Emergency maintenance of Krugersdorp game reserve	-	3 382 295
Other Contractors	304 727 754	277 330 510
	<b>545 653 534</b>	<b>546 540 971</b>



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 43. Operational costs

Advertising	1 249 838	624 363
Assets written off	6 614 490	18 676 585
Audit and Risk committee remuneration	414 527	290 891
Bank charges	1 814 743	2 897 258
Bursary scheme internal and external	363 535	331 147
Compensation Occupational Injuries and Diseases Act	3 857 443	3 861 740
Conferences and seminars	14 628	6 000
Consumables	803 495	548 148
Fuel and oil	14 564 728	10 956 243
Insurance	5 215 200	3 866 460
Internet fees	2 390 715	2 553 114
Magazines, books and periodicals	6 333	54 809
Other expenses	21 157 727	59 458 456
Pest control	-	2 827
Postage and courier	4 075 665	4 082 273
Printing and stationery	1 077 850	849 822
Electricity purchases for consumption	12 547 924	6 872 111
Refreshments general and meetings	7 633	37 911
Royalties and license fees	7 988 588	7 051 806
Safety equipment/Protective clothing	1 760 474	912 494
Settlement and legal fees	13 666 204	10 273 368
Stores and materials (inventory items)	861 655	1 070 831
Subscriptions and membership fees	9 788 937	9 063 040
Telephone and fax	5 367 339	5 731 437
Training	442 736	266 636
Travel - local	60 966	198 061
	<b>116 113 373</b>	<b>150 537 831</b>

### Other expenses include:

Volunteer incentives	7 917 448	6 399 470
Maintenance os Asset Register	2 578 005	2 940 551
Relocation & Settlement	2 186 787	1 507 558
Electricity: Street lighting	1 951 612	1 609 479
Grave digging	1 535 544	1 611 658
Purchase & Distribution of 240 litre bins	1 365 000	-
Electrical prepaid connections (recoverable)	1 245 112	262 579
Interest paid on electricity bulk purchases	-	22 602 042
Landfillsite write down	-	17 396 873
Other expenses items	2 378 219	5 128 246
	<b>21 157 727</b>	<b>59 458 456</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>44. Cash generated from operations</b>		
Surplus (deficit)	46 145 513	(65 240 375)
<b>Adjustments for:</b>		
Depreciation and amortisation	234 413 012	244 963 112
Fair value adjustments	(22 853 377)	(6 703 997)
Impairment loss/reversal	20 982 371	18 074
Debt impairment	288 693 673	234 654 975
Movements in operating lease assets and accruals	47 892	(244 577)
Movements in retirement benefit assets and liabilities	(3 629 667)	25 259 142
Movements in provisions	(16 870 669)	22 296 542
Other non-cash items	(7 201 145)	(430 731)
<b>Changes in working capital:</b>		
Inventories	9 462 327	1 691 220
Receivables from exchange transactions	(312 223 094)	(225 377 819)
Receivables from non-exchange transactions	(71 457 664)	(114 868 902)
Payables from exchange transactions	265 461 215	6 033 942
VAT	423 630	(21 792 322)
Unspent conditional grants and receipts	(30 556 637)	30 919 916
Consumer deposits	3 486 753	2 747 811
Sundry deposits	135 545	434 921
Payables from non-exchange transactions	8 032 357	20 367 262
	<b>412 492 035</b>	<b>154 728 194</b>

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 45. Budget differences

#### Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds in line with the virement policy. Management considers 10% or more of variance as material. A detailed description of the variance is provided below. The current financial year has material differences on revenue, expenditure has no material differences with a variance of more than 10%.

Statement of financial performance

Revenue

#### Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds within in line with the virement policy. Management considers 10% or more of variance as material. A detailed description of the variance is provided below. The current financial year has material differences on revenue, and expenditure.

Statement of financial performance

**Revenue**

#### 45.1 Rental of facilities and equipment

The main driver of revenue under this item is rental of Council premises.

#### 45.2 Income from agency services

This is due to increased revenue for vehicle registration and testing attributable to increased efficiency in the systems utilised.

#### 45.3 Interest received on external investments

The municipality invested grant funding as part of the financial turnaround strategy.

#### 45.4 Fines and penalties

The contract for the rental of speed cameras came to an end during the financial year, as a result anticipated revenue were not realised.

#### 45.6 Other income

This revenue item consists of various small items, many of which under collected. The main ones that show under collection are building plans, and social responsibility.

**Expenditure**

#### 45.7 Finance costs

The under expenditure is mainly due subdued expenditure on interest on vehicle leases as lease contracts came to an end during the financial year.

#### 45.8 Contracted services

The over expenditure on the contracted services is mainly due to the network material both for water and sanitation, security services, legal services, rental of traffic cameras, rental of toilets, and the rental of water tankers.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 45. Budget differences (continued)

#### 45.9 Grants and subsidies paid

The underspending is because of the subdued spending on grants in aid, these are grants allocated to the community as part of Community Development initiatives drive by the municipality, unspent social responsibility, and discretionary grants.

#### 45.10 General expenses

This cost item is made up of various items, many of them small. There are however items that mainly contributed to the under expenditure, the following are notable, landfill site write down, settlement fees, volunteer incentives, and also provision for the writing off of assets.

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 46. Prior period errors

## Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Assets</b>				
Current Assets				
Inventories	15 336 759	-	-	15 336 759
Receivables from non-exchange transactions	279 914 861	(3 604 404)	-	276 310 457
Receivables from exchange transactions	348 313 360	-	-	348 313 360
Cash and cash equivalents	64 924 661	(234)	-	64 924 427
Operating lease asset	84 604	-	-	84 604
VAT receivable	62 357 203	(18 023 085)	-	44 334 118
	<b>770 931 448</b>	<b>(21 627 723)</b>	-	<b>749 303 725</b>
Non-Current Assets				
Living resources	2 734 560	-	-	2 734 560
Investment property	698 725 521	(10 750 256)	-	687 975 265
Property, plant and equipment	5 660 828 901	(46 232 364)	-	5 614 596 537
Intangible assets	3 045 771	-	-	3 045 771
Heritage assets	2 450 275	-	-	2 450 275
Financial assets	598 971	-	-	598 971
	<b>6 368 383 999</b>	<b>(56 982 620)</b>	-	<b>6 311 401 379</b>
<b>Total Assets</b>	<b>7 139 315 447</b>	<b>(78 610 343)</b>	-	<b>7 060 705 104</b>
<b>Liabilities</b>				
Current Liabilities				
Operating lease liability	76	-	-	76
Employee benefit obligation	14 281 587	-	-	14 281 587
Finance lease obligation	12 854 784	-	-	12 854 784
Unspent conditional grants and receipts	37 408 013	-	-	37 408 013
Provisions	8 447 171	-	-	8 447 171
Payables from non-exchange transactions	101 998 774	-	-	101 998 774
Payables from exchange transactions	996 021 913	(14 934 230)	-	981 087 683
Financial liabilities	30 112 356	-	-	30 112 356
Sundry deposits	12 679 550	-	-	12 679 550
Consumer deposits	63 775 537	-	-	63 775 537
	<b>1 277 579 761</b>	<b>(14 934 230)</b>	-	<b>1 262 645 531</b>
Non-Current Liabilities				
Employee benefit obligation	231 342 680	-	-	231 342 680
Finance lease obligation	1 043 413	-	-	1 043 413
Provisions	106 649 024	-	-	106 649 024
Financial liabilities	219 078 232	-	-	219 078 232
	<b>558 113 349</b>	-	-	<b>558 113 349</b>
<b>Total Liabilities</b>	<b>1 835 693 110</b>	<b>(14 934 230)</b>	-	<b>1 820 758 880</b>
<b>Net Assets</b>	<b>5 303 622 337</b>	<b>(63 676 113)</b>	-	<b>5 239 946 224</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022		2021	
<b>46. Prior period errors (continued)</b>				
Social Responsibility Fund	34 454 398	2 635	-	34 457 033
Accumulated surplus	5 269 170 541	(63 681 350)	-	5 205 489 191
<b>Total Net Assets</b>	<b>5 303 624 939</b>	<b>(128 919 077)</b>	<b>-</b>	<b>5 239 946 224</b>

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 46. Prior period errors (continued)

### Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Service charges	1 739 483 880	-	-	1 739 483 880
Rental of facilities and equipment	5 866 035	-	-	5 866 035
Income from agency services	26 986 584	(1 861 131)	-	25 125 453
Licences and permits	32 041	-	-	32 041
Operational revenue	40 753 787	800 000	-	41 553 787
Interest received - Outstanding debtors	33 440 418	-	-	33 440 418
Interest received - Investment	3 898 658	-	-	3 898 658
Dividends received	23 424	-	-	23 424
<b>Total revenue from exchange transactions</b>	<b>1 850 484 827</b>	<b>(1 061 131)</b>		<b>- 1 849 423 696</b>
<b>Revenue from non-exchange transactions</b>				
<b>Taxation revenue</b>				
Property rates	504 064 488	-	-	504 064 488
<b>Transfer revenue</b>				
Transfers & subsidies	755 688 833	-	-	755 688 833
Fines, Penalties and Forfeits	109 732 341	-	-	109 732 341
Fair value adjustments investment property	6 703 997	-	-	6 703 997
<b>Total revenue from non-exchange transactions</b>	<b>1 376 189 659</b>	<b>-</b>		<b>- 1 376 189 659</b>
<b>Total revenue</b>	<b>3 226 674 486</b>	<b>(1 061 131)</b>		<b>- 3 225 613 355</b>
<b>Expenditure</b>				
Employee related costs	(857 225 008)	-	-	(857 225 008)
Remuneration of councillors	(34 492 007)	-	-	(34 492 007)
Depreciation and amortisation	(247 958 507)	2 319 099	-	(245 639 408)
Impairment loss/Reversal of impairments	(18 073)	-	-	(18 073)
Finance costs	(38 462 789)	-	-	(38 462 789)
Debt impairment	(214 113 648)	-	-	(214 113 648)
Collection costs	(32 156 852)	-	-	(32 156 852)
Bulk purchases	(1 171 320 897)	-	-	(1 171 320 897)
Contracted services	(477 852 070)	(68 688 901)	-	(546 540 971)
Transfers and subsidies (operational expenditure)	(346 246)	-	-	(346 246)
Operational costs	(141 827 838)	(8 709 993)	-	(150 537 831)
<b>Total expenditure</b>	<b>(3 215 773 935)</b>	<b>(75 079 795)</b>		<b>- (3 290 853 730)</b>
<b>Deficit for the year</b>	<b>10 900 551</b>	<b>(76 140 926)</b>		<b>- (65 240 375)</b>

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 46. Prior period errors (continued)

#### 46.1 Prior period error

##### Reasons for prior year changes

##### VAT

Accounting for VAT adjustments in relation to the following VAT periods: April 2021 period - accounting for transactions not posted, May 2021- accounting for transactions incorrectly posted and June 2021- accounting for deemed output VAT on unknown deposits per SARS audit outcome.

##### Investment Property

Derecognition of filling station

##### Property, Plant and Equipment

Movable assets correction of error on accumulated depreciation on assets. Completed projects in prior year.

##### Payables from exchange transactions

Reversal of retention: MCLM received a credit note for the invoice captured

The amount provided for retention was incorrect

Attorney invoices were received late due to the attorneys late invoicing

##### Social responsibility fund

1% CSR levies not taken with the payments made as per tender document

##### Income from agency services

There was duplicate capturing of an invoice and the reversal was captured incorrectly resulting in an understatement of the creditor and an overstatement on the commission.

##### Operational revenue

Mayors vehicle previously not recorded on the asset register

##### Depreciation and amortization

Motor vehicles depreciation write back. Review of useful lives

##### Assets written off

Completed projects in the prior year, correction of accumulated depreciation on reversal of assets



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 47. Commitments

#### Authorised capital expenditure

##### Already contracted for

• Infrastructure	193 309 132	46 878 446
• Community	656 059 208	793 431 747
	<b>849 368 340</b>	<b>840 310 193</b>

#### Authorised operational expenditure

##### Already contracted for but not provided for

• Operational Expenditure	167 958 766	229 548 473
---------------------------	-------------	-------------

Capital commitments represents future capital expenditure. The municipality has committed to utilise to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework. The commitments disclosed above include obligations that the municipality has for more than one year.

The commitments disclosed above exclude the 1% increase in VAT for tenders awarded before 1 April 2018.

#### As and when contracts

The municipality has 12 contracts that are on an as and when required basis. The contracts expenditure amount to R158 972 703: 2022, R160 756 887: 2021. The contracts remain valid as at the end of the financial year. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality thus the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

#### Unable to quantify

The municipality has 32 contracts that are unquantifiable due to the nature of the contracts. The expenditure of these contracts from inception to the current financial year amounts to R 395 206 151.

#### Deviations

During the year under review Mogale City Local Municipality deviated with a total amount of R 2 042 419 901 .

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	5 882 135	25 156
- in second to fifth year inclusive	16 175 872	-
	<b>22 058 007</b>	<b>25 156</b>

Operating lease payments represent rentals payable by the municipality for certain of its offices, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum . .

#### Rental income relating to operating leases

Operating lease receipts as lessor	966 667	966 667
------------------------------------	---------	---------

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	111 202	246 044
- in second to fifth year inclusive	68 441	252 725
	<b>179 643</b>	<b>498 769</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 47. Commitments (continued)

Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 25 years. The rental levied escalates at 10% on average per annum.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>48. Contingencies</b>		
<b>Contingent liabilities</b>		
<b>Category A</b>		
<b>Karel Du Plessis</b>	147 072	147 072
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118		
<b>Marina C Venter</b>	-	22 000
Traffic Vehicle of the Municipality collided with the plaintiff's vehicle and is claiming for damages		
<b>Chabano Trading Consultant</b>	-	1 167 770
The Plaintiff alleges that the Municipality has unlawfully terminated the contract.		
<b>Ndumo Group Resources CC</b>	-	1 340 217
The service provider is suing the municipality for services rendered.		
<b>Khalipha Entertainment</b>	-	1 799 490
MCLM sued service provider for failing to give proper account of the organised jazz festival and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.		
<b>Madelein van Rooyen</b>	122 365	122 365
The Plaintiff alleges that the municipality was partly negligent in ensuring that the Bungee jumping is safe.		
<b>Lefatshe Security Services (Pty) Ltd</b>	-	7 938 183
The service provider is suing the Municipality for breach of contract.		
<b>Camel friends CC</b>	50 244	50 244
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
<b>Annemarie Cronje</b>	-	22 446
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
<b>Gerhad Human</b>	29 552	29 552
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
<b>Palmetto Gate</b>	111 585	111 585
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
<b>Yolande Strydom</b>	124 180	124 180
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
<b>Annemarie Cronje</b>	-	243 852
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
<b>Dumisani Amos Mnisi</b>	654 000	654 000
Summons issued against the municipality for vicarious liability.		
<b>Alfa Transportation</b>	15 275	15 275
Summons issued against the municipality for overpayment of services.		
<b>Mvuyisi Mfebe</b>	10 000 000	10 000 000
Summons issued against the municipality for alleged infringement of copyrights.		
<b>Ngwekana Advisory</b>	-	488 868
Summons issued against the municipality for alleged breach of contract. The contractual amount was R1 800 000 entered into between the parties over a three years period. However they issued summons of R48 244 798.95 which does not derive from any contractual relationship between the parties.		
<b>Phambane Mokone Inc.</b>	-	1 052 798
Summons issued against the municipality for non-payment of invoices for services rendered.		
<b>Dartingo Trading 356 (Pty) Ltd</b>	2 400 000	2 400 000
The municipality is being sued for damages as they alleged that a potential purchaser cancelled an offer to purchase their property after the municipality relocated people to a property adjacent to their property.		
<b>Nzambi Aubin Biasua &amp; Nzambi Makala Biausua</b>	499 633	499 633

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>48. (continued)</b>		
The municipality is being sued for damages as the plaintiff alleges that the municipality failed to ensure that they were safe during the riots.		
<b>Ncobo Edith</b>	-	10 000 000
The municipality is being sued for damages as the plaintiff alleges that the municipality acted negligent by leaving a sewerage drain open which led to a minor child's falling in the drainage.		
<b>C &amp; G Engineering Services CC</b>	3 333 663	1 809 477
Summons issued against the municipality for alleged non-payment of invoices for services rendered.		
<b>Red Ant Security Relocation and Eviction Services (Pty) Ltd</b>	-	6 050 031
Summons issued against the municipality for alleged non-payment of invoices for services rendered		
<b>ABSA Property Development (Pty) Ltd</b>	9 904 755	-
Summons issued against the municipality for alleged breach of contract and non-payment of services rendered.		
<b>Nobuhle Mhlanga</b>	60 000	-
Summons issued against the municipality for vicarious liability.		
<b>Telkom SA SOC Limited</b>	37 175	-
Summons issued against the municipality for damages.		
<b>Category B</b>		
<b>Labour Matters</b>		
<b>Henk Spamer</b>	-	1 387 658
Notice of motion received for the alleged salary discrepancies between the employee and permanently employed managers.		
	<b>27 489 499</b>	<b>47 476 696</b>

### Contingent assets

#### Outstanding Legal Matters

<b>Khalipha Entertainment</b>	-	3 685 212
MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.		
<b>Lefatshe Security Services (PTY) LTD</b>	-	8 062 493
The Municipality is being sued for outstanding contractual amount however the Municipality has a counter claim against the plaintiff.		
	-	<b>11 747 705</b>

All Contingent Liabilities with no amount in the year under review are matters which have either been concluded in favour of the municipality or the legal opinion of the municipal legal representatives is that the prospects of success of those matters have diminished materially.

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 49. Related parties

#### Relationships

Political Office Bearers consist of:

Executive Mayor

Chief Whip

Speaker

MPAC

Councillors (MMC)

Cllr F.M. Makgatho  
 Cllr T.M. Gray  
 Cllr S.I. Dube  
 Cllr J. Miller  
 Cllr N.C. Mangole  
 Cllr J.L. Pannall  
 Cllr D.S. David  
 Cllr X.L. Mkruquli  
 Cllr M. Khuzwayo  
 Cllr A. van Loggerenberg Wentzel  
 Cllr A.K. Setwalo-Moja  
 Cllr S.L. Lebesa  
 Cllr N.E. Cindi  
 Cllr L.L. Lekoto  
 Cllr M.F. Chohledi  
 Cllr E. Mahne  
 Cllr C.M. Ntlatlane  
 Cllr B.E. Nkosi  
 Cllr N.M. Sedumedi  
 Cllr J.J. Holtzhausen  
 Cllr M.B. Mdlane  
 Cllr L.W. Moleba  
 Cllr T.P. Moeketsi  
 Cllr Z. Wehinger-Maguire  
 Cllr I.T. Nzwane  
 Cllr K.E. Lekgane  
 Cllr D.M. Thupane  
 Part time councillors (Full list detailed below)  
 Mr M.P. Raedani  
 Mr M.A. Msezana  
 Mrs D.S. Diale  
 Mr. T.R.R. Ramathape  
 Mr. M.K.G. Ramoworwesi  
 Mr S.H. Mbanjwa  
 Mr M.E. Monakedi  
 Adv A.R. Khuduge  
 Mrs T.M. Matshego  
 Mrs M. Boihang  
 Mr N.V. Bekwa (Acting)  
 Ms B.V. Monkwe (Acting)  
 Mr T.P. Tebjani (Acting)  
 Mr S.P. Mdlalose (Acting)  
 Mrs E. Segatlhe-wa-Lesejane (Acting)

Accounting Officer

Members of key management

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

#### Remuneration of management

#### Mayoral committee members

2022

	Annual Remuneration	Cellphone Allowance	Data card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
<b>Executive Mayor</b>						
F.M. Makgatho (term ended)	228 102	14 507	1 280	89 487	41 555	374 931
T.M Gray	397 585	24 707	2 180	152 407	63 218	640 097
<b>Chief Whip</b>						
S.I. Dube (term ended)	171 332	14 507	1 280	67 115	32 555	286 789
J. Miller	298 188	24 707	2 180	114 305	47 481	486 861
<b>Speaker</b>						
N.C. Mangole (term ended)	188 506	14 507	1 280	71 590	29 021	304 904
J.L. Pannall	308 968	24 707	2 180	121 926	59 686	517 467
<b>Section 79 Chair Person</b>						
D.S. David (term ended)	169 947	14 507	1 280	65 147	26 408	277 289
X.L. Mkruquli	258 262	25 445	1 945	99 000	39 298	423 950
<b>MMC: Corporate Support &amp; Strategic Planning</b>						
M. Khuzwayo (term ended)	171 332	14 507	1 280	67 115	32 556	286 790
A. Van Loggerenberg	276 656	22 923	2 023	106 051	45 574	453 227
<b>MMC: Community Safety</b>						
A.K. Setswalo-Moja (term ended)	171 332	14 507	1 280	67 115	32 555	286 789
S.L. Lebesa	276 656	22 923	2 023	106 051	45 574	453 227
<b>MMC: Health &amp; Social Development</b>						
N.E. Cindi (term ended)	171 332	14 507	1 280	67 115	32 555	286 789
L.L. Lekoto	276 656	22 923	2 023	106 051	45 574	453 227
<b>MMC: Intergrated Environment Management</b>						
M.F. Chohledi (term ended)	176 724	14 507	1 280	67 115	27 217	286 843
E. Mahne	355 306	22 923	2 023	27 401	45 574	453 227
<b>MMC: Sports &amp; Recreation</b>						
C.M. Ntlatlane (term ended)	176 724	14 507	1 280	67 115	27 217	286 843

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

B.E. Nkosi	437 954	34 029	3 303	173 166	86 473	734 925
<b>MMC: Finance</b>						
N.M. Sedumedi (term ended)	171 332	14 507	1 280	67 115	32 555	286 789
J.J. Holtzhausen	276 656	22 923	2 023	106 051	45 574	453 227
<b>MMC: Roads and Transport</b>						
M.B. Mdlane (term ended)	171 332	14 507	1 280	67 115	32 555	286 789
L.W. Moleba	276 656	22 923	2 023	106 051	45 574	453 227
<b>MMC: LED &amp; Rural Development</b>						
T.P. Moeketsi (term ended)	176 724	14 507	1 280	67 115	27 217	286 843
Z. Wehinger-Maguire	276 656	22 923	2 023	106 051	45 574	453 227
<b>MMC: Utilities</b>						
I.T. Nzwane (term ended)	171 332	14 507	1 280	67 115	32 555	286 789
K.E. Lekagane	276 656	22 923	2 023	106 051	45 574	453 227
<b>MMC: Human Settlement</b>						
D.M. Thupane	276 656	22 923	2 023	106 051	45 574	453 227
	<b>6 585 562</b>	<b>528 493</b>	<b>46 635</b>	<b>2 433 987</b>	<b>1 112 843</b>	<b>10 707 520</b>

### 2021

Name	Annual Remuneration	Cellphone Allowance	Data card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
F.M. Makgatho	644 711	40 800	3 600	251 682	121 912	1 062 705
<b>Chief Whip</b>						
S.I. Dube	477 395	40 800	3 600	188 761	94 810	805 366
<b>Speaker</b>						
N.C. Mangole	525 249	40 800	3 600	201 345	85 212	856 206
<b>Section 79 Chair Person</b>						
D.S. David	477 977	40 800	3 600	183 225	77 577	783 179
<b>MMC: Corporate Support Services</b>						
M. Khuzwayo	477 395	40 800	3 600	188 761	94 810	805 366
<b>MMC: Community Safety</b>						
A.K. Setswalo-Moja	477 395	40 800	3 600	188 761	94 810	805 366

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

#### MMC: Health & Social Services

N.E. Cindi	477 395	40 800	3 600	188 761	94 810	805 366
------------	---------	--------	-------	---------	--------	---------

#### MMC: Intergrated Environment Management

M.F. Chohledi	492 421	40 800	3 600	188 761	79 910	805 492
---------------	---------	--------	-------	---------	--------	---------

#### MMC: Sports & Recreation

C.M. Ntlatlane	492 421	40 800	3 600	188 761	79 910	805 492
----------------	---------	--------	-------	---------	--------	---------

#### MMC: Finance

N.M. Sedumedi	477 395	40 800	3 600	188 761	94 810	805 366
---------------	---------	--------	-------	---------	--------	---------

#### MMC: Roads and Transport

M.B. Mdlane	477 395	40 800	3 600	188 761	94 810	805 366
-------------	---------	--------	-------	---------	--------	---------

#### MMC: LED & Rural Development

T.P. Moeketsi	492 421	40 800	3 600	188 761	79 910	805 492
---------------	---------	--------	-------	---------	--------	---------

#### MMC: Utilities

I.T. Nzwane	477 395	40 800	3 600	188 761	94 810	805 366
-------------	---------	--------	-------	---------	--------	---------

#### MMC: Human Settlement

B.E. Nkosi	477 395	40 800	3 600	188 761	94 810	805 366
------------	---------	--------	-------	---------	--------	---------

<b>6 944 360</b>	<b>571 200</b>	<b>50 400</b>	<b>2 712 623</b>	<b>1 282 911</b>	<b>11 561 494</b>
------------------	----------------	---------------	------------------	------------------	-------------------

### Councillors

#### 2022

Name	Annual Remuneration	Cellphone Allowance	Data card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
G.I. Moilwanyane (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
F.O. Bhayat (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
S.D. Letsie (term ended)	69 176	14 507	1 280	28 319	16 914	130 196
E. Modise (term ended)	69 176	14 507	1 280	28 319	16 914	130 196
T.J. Steenkamp	207 777	40 800	3 600	79 648	34 484	366 309
J.L. Pannall (term ended)	76 029	16 093	1 420	31 417	20 113	145 072
M. Mohube (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
D.S. David	133 901	26 293	2 320	51 329	20 318	234 161



## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

R.J. Mokotla (term ended)	34 629	6 800	600	13 275	5 748	61 052
M.J. Selibo (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
M.P.J. Madumo (term ended)	69 176	14 507	1 280	28 319	16 914	130 196
B.A. Kubayi	207 777	40 800	3 600	79 648	34 484	366 309
M.L. Agondo (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
M.D. Sithole (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
M.O. Ramadi (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
S. Silaule (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
J.S. Hoon (term ended)	102 888	14 507	1 280	-	11 575	130 250
G.K. Gaselebelwe (term ended)	69 176	14 507	1 280	28 319	16 914	130 196
B.N. Ngakane (term ended)	69 176	14 507	1 280	28 319	16 914	130 196
J.N. Kotze	207 777	40 800	3 600	79 648	34 484	366 309
P.C. Orpen (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
J. Miller (term ended)	81 956	16 093	1 420	31 417	14 295	145 181
B.V. Molefe	192 751	40 800	3 600	79 648	49 360	366 159
L. Modise (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
X.L. Mkruquli (term ended)	95 510	18 755	1 655	36 612	19 706	172 238
W. Segolodi (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
W. Ngwako (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
L.G. Resha	192 751	40 800	3 600	79 648	49 360	366 159
L.W. Zwankhuizen	207 777	40 800	3 600	79 648	34 484	366 309
E. Mahne (term ended)	91 042	17 877	1 577	34 899	15 111	160 506
A Van Loggerenberg Wentzel (term ended)	91 042	17 877	1 577	34 899	15 111	160 506
J.J. Holtzhausen (term ended)	91 042	17 877	1 577	34 899	15 111	160 506
M.J. Koboekae	207 777	40 800	3 600	79 648	34 484	366 309
V.B. Khumalo	192 751	40 800	3 600	79 648	49 360	366 159
T.E. Mokoena (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
T.M. Gray (term ended)	81 956	16 093	1 420	31 417	14 295	145 181
P.J. Makokwe (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
I. Mangole (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
L.W. Moleba (term ended)	91 042	17 877	1 577	34 899	15 111	160 506
C.J. van der Westhuizen	207 777	40 800	3 600	79 648	34 484	366 309
S. Govindasamy	192 751	40 800	3 600	79 648	49 360	366 159
M.T. Lebe (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
Z. Wehinger-Maguire (term ended)	91 042	17 877	1 577	34 899	15 111	160 506
M.C.G. Naude	192 751	40 800	3 600	79 648	49 360	366 159

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

K.E. Lekagane (term ended)	91 042	17 877	1 577	34 899	15 111	160 506
C.A. Kotze (term ended)	30 012	5 893	520	11 505	4 981	52 911
M. Ndamase	164 996	32 165	2 838	62 790	26 003	288 792
A.G. Mutele (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
S.A. Dabhelia	207 777	40 800	3 600	79 648	34 484	366 309
L.L. Lekoto (term ended)	91 042	17 877	1 577	34 899	15 111	160 506
R.B. Seemela (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
M.L. Khoza (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
J. Makgopa (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
G.A. Tsele (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
B.S. Tlapu (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
O.S.S. Moralo	207 777	40 800	3 600	79 648	34 484	366 309
B.L. Shabalala (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
L.E. du Toit	207 777	40 800	3 600	79 648	34 484	366 309
A.S. Eksteen	207 777	40 800	3 600	79 648	34 484	366 309
K.E. Mapetla (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
H.H. Kruger	207 777	40 800	3 600	79 648	34 484	366 309
P.T. Molapo (term ended)	69 176	14 507	1 280	28 319	16 914	130 196
P.K. Modise	207 777	40 800	3 600	79 648	34 484	366 309
A.K. Molosiwa (term ended)	74 569	14 507	1 280	28 319	11 575	130 250
G.A. Dalton	133 901	26 293	2 320	51 329	22 223	236 066
L.G. Sele	133 901	26 293	2 320	51 329	22 223	236 066
D.M. Modiko	133 901	26 293	2 320	51 329	22 223	236 066
T. Ntando	133 901	26 293	2 320	51 329	22 223	236 066
L.T. Tshose	133 901	26 293	2 320	51 329	22 223	236 066
S.A. Agondo (term ended)	30 012	5 893	520	11 505	4 981	52 911
M.V. Khol	133 901	26 293	2 320	51 329	22 223	236 066
L.R. Moeketsi	133 901	26 293	2 320	51 329	22 223	236 066
M.L. Trump	133 901	26 293	2 320	51 329	22 223	236 066
T.G. Koto	133 901	26 293	2 320	51 329	22 223	236 066
T. Ramaisa	133 901	26 293	2 320	51 329	22 223	236 066
M.A. Hleza	133 901	26 293	2 320	51 329	22 223	236 066
K.C. Ntshangase	133 901	26 293	2 320	51 329	22 223	236 066
M.R. Lephadi	133 901	26 293	2 320	51 329	22 223	236 066
N.D. Bhengu	133 901	26 293	2 320	51 329	22 223	236 066
F. Ngobeni	133 901	26 293	2 320	51 329	22 223	236 066

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

N.A. Sithole	133 901	26 293	2 320	51 329	22 223	236 066
E. Mdluli	133 901	26 293	2 320	51 329	22 223	236 066
D. Toerien	133 901	26 293	2 320	51 329	22 223	236 066
L.G. Gouws	133 901	26 293	2 320	51 329	22 223	236 066
M.M. Mogoje	133 901	26 293	2 320	51 329	22 223	236 066
N.G. Segapela	133 901	26 293	2 320	51 329	22 223	236 066
T.J. Tapani	133 901	26 293	2 320	51 329	22 223	236 066
E.L.L. Lesuthu	133 901	26 293	2 320	51 329	22 223	236 066
N.D. Witbooi	133 901	26 293	2 320	51 329	22 223	236 066
W. Mnyaji	133 901	26 293	2 320	51 329	22 223	236 066
J.O. Muravha	133 901	26 293	2 320	51 329	22 223	236 066
R.J. Mokoto	133 901	26 293	2 320	51 329	22 223	236 066
S.L.A. Cochrane	133 901	26 293	2 320	51 329	22 223	236 066
A. Jooste	149 484	26 293	2 320	51 329	6 796	236 222
M.H. Taunyane	133 901	26 293	2 320	51 329	22 223	236 066
A. Steyn	133 901	26 293	2 320	51 329	22 223	236 066
A.M. Badenhorst	133 901	26 293	2 320	51 329	22 223	236 066
L.P. Pii	133 901	26 293	2 320	51 329	22 223	236 066
K. Motlhophe	133 901	26 293	2 320	51 329	22 223	236 066
P.S. Tabiwa	133 901	26 293	2 320	51 329	22 223	236 066
G.K. Morake	133 901	26 293	2 320	51 329	22 223	236 066
R.E. Munyai	133 901	26 293	2 320	51 329	22 223	236 066
C.M. Mankazana	133 901	26 293	2 320	51 329	22 223	236 066
N. Nhlapo	133 901	26 293	2 320	51 329	22 223	236 066
N.T. Xhale	133 901	26 293	2 320	51 329	22 223	236 066
M.C. Mosala	130 144	26 293	2 320	51 329	25 942	236 028
L.L. Ntshabele	133 901	26 293	2 320	51 329	22 223	236 066
P.L. Matshaba (term ended)	91 712	17 877	1 577	34 899	14 448	160 513
F.M. Makgatho	120 461	26 293	2 320	51 329	32 414	232 817
D.M. Thupane (term ended)	17 166	3 371	297	6 580	2 849	30 263
S.L. Lebesa (term ended)	17 166	3 371	297	6 580	2 849	30 263
B.E. Nkosi (term ended)	15 924	3 371	297	6 580	4 717	30 889
	<b>13 103 614</b>	<b>2 585 638</b>	<b>228 145</b>	<b>5 019 234</b>	<b>2 278 237</b>	<b>23 214 868</b>

2021

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

Name	Annual Remuneration	Cellphone Allowance	Data card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
G.I. Moolwanyane	207 777	40 800	3 600	79 648	33 932	365 757
F.O. Bhayat	207 777	40 800	3 600	79 648	33 932	365 757
S.D. Letsie	192 751	40 800	3 600	79 648	48 833	365 632
E. Modise	192 751	40 800	3 600	79 648	48 833	365 632
T.J. Steenkamp	207 777	40 800	3 600	79 648	33 932	365 757
J.L. Pannall	192 751	40 800	3 600	79 648	48 833	365 632
M. Mohube	207 777	40 800	3 600	79 648	33 932	365 757
R.J. Mokotla	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Selibo	207 777	40 800	3 600	79 648	33 932	365 757
M.P.J. Madumo	192 751	40 800	3 600	79 648	48 833	365 632
B.A. Kubayi	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Agondo	201 516	40 800	3 600	79 648	40 155	365 719
M.D. Sithole	207 777	40 800	3 600	79 648	33 932	365 757
M.O. Ramadi	207 777	40 800	3 600	79 648	33 932	365 757
S. Silaule	207 777	40 800	3 600	79 648	33 932	365 757
J.S. Hoon	260 875	40 800	3 600	26 549	33 932	365 756
G.K. Gaselebelwe	192 751	40 800	3 600	79 648	48 833	365 632
B.N. Ngakane	192 751	40 800	3 600	79 648	48 833	365 632
J.N. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
P.C. Orpen-Reid	207 777	40 800	3 600	79 648	33 932	365 757
J. Miller	207 777	40 800	3 600	79 648	33 932	365 757
B.V. Molefe	192 751	40 800	3 600	79 648	48 833	365 632
L. Modise	207 777	40 800	3 600	79 648	33 932	365 757
X.L. Mkruquli	207 777	40 800	3 600	79 648	33 932	365 757
W. Segolodi	207 777	40 800	3 600	79 648	33 932	365 757
W. Ngwako	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Zwankhuizen	207 777	40 800	3 600	79 648	33 932	365 757
E. Mahne	207 777	40 800	3 600	79 648	33 932	365 757
A. Wentzel	207 777	40 800	3 600	79 648	33 932	365 757
J.J. Holtzhausen	207 777	40 800	3 600	79 648	33 932	365 757

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

M.J. Koboekae	207 777	40 800	3 600	79 648	33 932	365 757
V.B. Khumalo	207 777	40 800	3 600	79 648	33 932	365 757
T.E. Mokoena	192 751	40 800	3 600	79 648	48 833	365 632
T.M. Gray	207 777	40 800	3 600	79 648	33 932	365 757
P.J. Makokwe	207 777	40 800	3 600	79 648	33 932	365 757
I. Mangole	207 777	40 800	3 600	79 648	33 932	365 757
L.W. Moleba	207 777	40 800	3 600	79 648	33 932	365 757
C.J. van der Westhuizen	207 777	40 800	3 600	79 648	33 932	365 757
S. Govindasamy	207 777	40 800	3 600	79 648	33 932	365 757
M.T. Lebe	192 751	40 800	3 600	79 648	48 833	365 632
Z. Wehinger-Maguire	207 777	40 800	3 600	79 648	33 932	365 757
M.C.G. Naude	207 777	40 800	3 600	79 648	33 932	365 757
K.E. Lekagane	192 751	40 800	3 600	79 648	48 833	365 632
C.A. Kotze	207 777	40 800	3 600	79 648	33 932	365 757
M. Ndamase	207 777	40 800	3 600	79 648	33 932	365 757
A.G. Mutele	207 777	40 800	3 600	79 648	33 932	365 757
M.J. Jim	25 693	5 045	445	9 849	2 597	43 629
S.A. Dabhelia	207 777	40 800	3 600	79 648	33 932	365 757
L.L. Lekoto	207 777	40 800	3 600	79 648	33 932	365 757
K. Ngwenya	122 625	24 043	2 121	46 935	19 585	215 309
R.B. Seemela	207 777	40 800	3 600	79 648	33 932	365 757
M.L. Khoza	207 777	40 800	3 600	79 648	33 932	365 757
J. Makgopa	207 777	40 800	3 600	79 648	33 932	365 757
G.A. Tsele	207 777	40 800	3 600	79 648	33 932	365 757
B.S. Tlapu	207 777	40 800	3 600	79 648	33 932	365 757
O.S.S. Moralo	207 777	40 800	3 600	79 648	33 932	365 757
B.L. Shabalala	207 777	40 800	3 600	79 648	33 932	365 757
L.E. du Toit	207 777	40 800	3 600	79 648	33 932	365 757
K.E. Mapetla	207 777	40 800	3 600	79 648	33 932	365 757
H.H. Kruger	207 777	40 800	3 600	79 648	33 932	365 757
P.T. Molapo	192 751	40 800	3 600	79 648	48 833	365 632
P.K. Modise	132 746	26 067	2 300	50 886	22 898	234 897
A.K. Molosiwa	72 351	14 207	1 254	27 734	11 544	127 090
L.G. Resha	192 751	40 800	3 600	79 648	48 832	365 631
	<b>12 894 321</b>	<b>2 558 162</b>	<b>225 720</b>	<b>4 940 817</b>	<b>2 311 492</b>	<b>22 930 512</b>

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued)

#### Executive management

2022

	Annual Remuneration	Leave Resignation & Long Service Leave	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
<b>Municipal Manager</b>					
M.P. Readani (resigned)	722 050	349 783	62 500	114 744	1 249 077
M.A Msezana	256 563	-	35 238	3 272	295 073
<b>Chief Finance Officer</b>					
D.S. Diale (contract ended)	1 452 859	-	240 000	18 176	1 711 035
<b>Corporate Support Services</b>					
T.R.R Ramatlhape (contract ended)	1 374 732	-	153 643	17 493	1 545 868
<b>Chief Audit Executive</b>					
M.K.G.Ramorwesi (resigned)	598 780	223 545	66 531	7 557	896 413
<b>Utilities Management Services</b>					
S.H. Mbanjwa	1 438 260	-	-	175 078	1 613 338
<b>Public works, Roads &amp; Transportation</b>					
M.E. Monakedi (contract ended)	1 446 172	-	120 000	48 446	1 614 618
<b>Community Development Services</b>					
A.R. Khuduge	1 546 129	-	-	68 288	1 614 417
<b>Intergrated Environmental Management</b>					
T.M. Matshego	-	287 414	-	-	287 414
<b>Strategic Management Services</b>					
M. Boihang	1 460 230	-	-	153 328	1 613 558
<b>Acting: Local Economic Services</b>					
N.V. Bekwa	1 183 711	-	120 000	269 751	1 573 462
<b>Acting: Chief Financial Officer</b>					
B.V. Monkwe	102 642	-	20 000	10 380	133 022
T.P. Tebjani	111 643	-	12 000	12 040	135 683
<b>Acting: Integrated Environments Management</b>					
S.P Mdlalose	1 413 837	-	132 000	17 679	1 563 516

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Related parties (continued) Acting: Corporate Support Service E Segatlhe-wa-Lesejane

115 768	-	11 000	6 227	132 995
13 223 376	860 742	972 912	922 459	15 979 489

### 2021

	Annual Remuneration	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
<b>Municipal Manager</b> M.P. Raedani	1 421 686	150 000	432 041	2 003 727
<b>Chief Financial Officer</b> D.S. Diale	1 356 747	240 000	15 203	1 611 950
<b>Corporate Support Services</b> T.R.R. Ramatlhape	1 401 002	162 000	48 835	1 611 837
<b>Chief Audit Executive</b> M.K.G. Ramorwesi	1 437 072	159 675	15 203	1 611 950
<b>Utilities Management Services</b> S.H. Mbanjwa	1 438 260	-	172 369	1 610 629
<b>Public works, Roads &amp; Transportation</b> M.E. Monakedi	1 447 076	120 000	44 626	1 611 702
<b>Community Development Services</b> A.R. Khuduge	1 546 129	-	65 399	1 611 528
<b>Integrated Environmental Management</b> T.M. Matshego (Resigned)	1 331 685	132 000	13 714	1 477 399
<b>Strategic Management Services</b> M. Boihang	1 416 282	-	194 162	1 610 444
<b>Acting: Local Economic Services</b> N.V. Bekwa	1 171 896	120 000	246 798	1 538 694
	<b>13 967 835</b>	<b>1 083 675</b>	<b>1 248 350</b>	<b>16 299 860</b>

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>50. Unauthorised expenditure</b>		
Opening balance	166 303 172	166 303 172
Unauthorised expenditure - current year	66 216 896	-
	<b>232 520 068</b>	<b>166 303 172</b>

### 2022

During the year under review the municipality had unauthorised expenditure amounting to R66 216 896 .

### 2021

During the previous financial year the municipality had no unauthorised expenditure.

## 51. Irregular expenditure

Opening balance	623 244 903	538 600 824
Add: Irregular Expenditure - current year	108 521 188	84 644 079
Less: Amounts not recoverable (written-off)	(84 644 079)	-
	<b>647 122 012</b>	<b>623 244 903</b>

### 2022

During the year under review the municipality incurred irregular expenditure of R 108 521 188

Council item number: L(i) 5 (02/2022)

Irregular expenditure amounting to R84 644 079 was declared irrecoverable and written off.

### 2021

During the previous financial year the municipality incurred irregular expenditure of R 84 644 079.

Council item number: L(i) 3(10/2020)

The Council sought legal opinion on the legitimacy of naming or specifying the alleged transgressor in the 2017/2018 Unauthorised, Irregular , Fruitless and Wasteful Expenditure Hearing Report.

## 52. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	50 806 912	27 866 260
Fruitless and wasteful expenditure - current year	28 845 611	22 940 652
Less: Amounts not recoverable (written-off)	(22 940 652)	-
	<b>56 711 871</b>	<b>50 806 912</b>

### 2022

The municipality incurred fruitless and wasteful expenditure during the year under review for interest paid on bulk purchases (Eskom and Rand Water) and an erroneous payment to a service provider. Eskom charged interest of R25 704 256, Rand Water charged interest of R297 204 and the erroneous payment was R2 844 151; totaling to R28 845 611 . The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy.

Council Item: L(i) 5 (02/2022)

Fruitless and Wasteful expenditure amounting to R22 940 652 was declared irrecoverable and written off.

### 2021

The municipality incurred fruitless and wasteful expenditure during the previous year for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R22 608 182 and Rand Water charged interest of R332 469; totaling to R22 940 652. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy.



## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to South African Local Government Association</b>		
Opening balance	-	149 661
Current year subscription / fee	9 600 203	8 883 033
Amount paid - current year	(9 600 203)	(9 032 694)
	-	-

### Audit fees

Opening balance	143 474	-
Current year subscription / fee	6 166 713	6 322 344
Amount paid - current year	(6 310 187)	(6 178 870)
	-	<b>143 474</b>

### PAYE and UIF

Opening balance	10 989 559	11 197 604
Current year subscription / fee	138 005 174	135 554 933
Amount paid - current year	(126 981 949)	(124 565 374)
Amount paid - previous years	(10 989 559)	(11 197 604)
	<b>11 023 225</b>	<b>10 989 559</b>

### Pension and Medical Aid Deductions

Opening balance	17 478 297	16 929 647
Current year subscription / fee	193 767 587	193 188 521
Amount paid - current year	(193 769 327)	(192 639 871)
	<b>17 476 557</b>	<b>17 478 297</b>

### Councillors' arrear consumer accounts

#### 30 June 2022

	Outstanding less than 90 days	Outstanding more than 90 days	Total
R.J Mokoto	1 815	2 442	4 257
A Jooste	5 567	3 118	8 685
T.J Steenkamp	972	-	972
T Ramaisa	845	1 809	2 654
L Lesuthu	2 188	87 535	89 723
E Van Westhuizen	1 268	3 192	4 460
S.L.A Cochrane	2 089	183 872	185 961
H.F Zwankhuizen	4 419	-	4 419
L Miller	2 828	-	2 828
D Thupane (M Kooko)	229	-	229
D Thupane	1 331	19 829	21 160
	<b>23 551</b>	<b>301 797</b>	<b>325 348</b>

### 54. Audit committee remuneration

Fees	414 527	290 891
------	---------	---------

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>55. Utilisation of Long-term liabilities reconciliation</b>		
Long-term liabilities raised	219 078 232	249 190 588

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 56. Supply Chain Management Regulations

#### Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to the family of the employees in the service of the state must be disclosed in the annual financial statements.

1. Noxolo Lungu Lesiela

#### Deviations from and ratification of minor breaches of procurement process

Regulation 36(a) of Supply Chain Management Policy, the deviations from and ratifications of minor breaches of procurement per directive are listed below:

##### Incidents

Section 36(1)a(i): Emergency	16 944
Section 36(1)a(ii): Sole Service Provider	106 851
Section 36(1)a(v): Impractical to follow the normal SCM process	2 042 259 106
Section 36(1)(b): Ratify minor breaches	37 000
	<b>2 042 419 901</b>

Council Item no:	Description	Awarded to	Section	Contract/ order amount
K(ii)2(04/2022)	Appointed for the provision of landfill compactor for 6 months (from 14 Feb 2022 until 13 Aug 2022)	X-Moor transport	Section 36(1)a(v): Impractical	Hourly rates
K(ii)2(04/2022)	Continued hosting of the municipal website	Joren Communication	Section 36(1)a(v): Impractical	Rates
K(ii)3(01/2022)	Replacement of batteries and faulty components of the Data Centre ups system for 3 years	Standby System SA	Section 36(1)a(ii): Sole Service Provider	106 851
K(ii)2(07/2022)	Supply, delivery and maintenance of an electronic financial management system which complies with Municipal Standard Chart of Accounts (mSCOA)	Solvem (Pty) Ltd	Section 36(1)a(v): Impractical	78 574 325
K(ii)2(07/2022)	Provision and prevention of land invasions and vandalism of infrastructure on an as and when basis for 24 months	RED ANTS Security (Pty) Ltd	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Rendering of armed and unarmed security guards	Mabotwane Security Services	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Re-installation and re-activation of the BIQ financial system for 14 months	Quill Associates (Pty) Ltd	Section 36(1)a(v): Impractical	9 219 987

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021	
<b>56. Other 5 (continued)</b>				
K(ii)2(07/2022)	Transport that carried members of the community to and from various areas of ward committee elections venues between 22 Feb 2022 - 31 March 2022	F.M. Letsoala Transport Services, KRUDITU Association, MARUTA Taxi Association, Ntholeng Trading Enterprise, Obed Motlatledi Taxi Association, Rakgakole Gideon Taxis and Ephraim Maluleke Assosiations	Section 36(1)a(v): Impractical	28 950
K(ii)2(07/2022)	Outsource transport for employees to attend a funeral	Aganang Mogale	Section 36(1)(b): Ratify minor breaches	37 000
K(ii)2(04/2022)	Emergency burial assistance	Amos and Abram funeral parlour	Section 36(1)a(i): Emergency	10 200
K(ii)2(07/2022)	Indigent burial	Tlhapane funeral services	Section 36(1)a(i): Emergency	6 744
K(ii)2(07/2022)	Supply and delivery of chemical standards and consumables for the discrete photometric	Anatech Analytical Technology	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Supply and delivery of chlorine gas cylinders for 3 wastewater treatment plants for a period of 6 months	Metsi Chem International	Section 36(1)a(v): Impractical	1 101 122
K(ii)2(07/2022)	Provision for grave digging services for a period of 6 months	Emeka Civils (Pty) Ltd	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Supply, delivery and off-loading of 240l wheelie bins for a period of 6 months	Jobe Environment AL Systems (Pty) Ltd	Section 36(1)a(v): Impractical	2 242 500
K(ii)2(07/2022)	Supply and delivery of chemicals and consumables for spectro quant and spectrophotometer for a period of 6 months	Separataions Simply Spectacular	Section 36(1)a(v): Impractical	85 238
K(ii)2(07/2022)	Supply and delivery of cleaning material at Chamdor stores for a period of 6 months	Kebale Construction and Projects CC	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Wastewater monitoring and evaluation for a period of 6 months	Water Lab (Pty) Ltd/EDMS BPK	Section 36(1)a(v): Impractical	211 675
K(ii)2(07/2022)	Supply, delivery and off-loading of 40 microns(clear) refuse bags for a period of 6 months	Tuxion Construction & Projects	Section 36(1)a(v): Impractical	300 000
K(ii)2(07/2022)	Plant hires on an as and when basis for use within the are jurisdiction of Mogale City Local Municipality for a period of 6 months	Twin-M Plant Hire CC	Section 36(1)a(v): Impractical	3 720 353

## Notes to the Annual Financial Statements

Figures in Rand			2022	2021
<b>56. Other 5 (continued)</b>				
K(ii)2(07/2022)	Strip and quote of 7 transformers, 20 tapchangers, 2 swithgear, 4 cable termination repairs, 6 neutral earthing resistor and current transformer repairs for a period of 6 months	Roshqott (Pty) Ltd	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Supply, delivery, installation and leasing of digital multifuntional photocopier with hard drives, printers, high volume mono and colour policy for 12 months	Nashua West Rand (Pty) Ltd	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Provision of indigent and pauper burial services for a period of 6 months	Tlhapane Funeral Services	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Turnkey appointment for engineering consulting, project management and construction of the municipal sub-precinct for a period of 36 months	Bigen Africa and Rembu Construction	Section 36(1)a(v): Impractical	1 000 000 000
K(ii)2(07/2022)	Turnkey appointment for engineering consulting, project management and construction of the Brickvale initiative for a period of 36 months	Maragela Consulting Engineers, Temi Construction (Pty) Ltd and Rembu Construction	Section 36(1)a(v): Impractical	690 000 000
K(ii)2(07/2022)	Turnkey appointment for engineering consulting, project management and construction of the Luipaardsvlei Landfill Site for a period of 36 months	Proplan Consulting Engineers (Pty) Ltd and ENM Trading	Section 36(1)a(v): Impractical	200 000 000
K(ii)2(07/2022)	Turnkey appointment for engineering consulting and refurbishment of Percy Stewart and Flip Human Wastewater treatment works for a period of 12 months	Bigen Africa Services and Marabe Projects (Pty) Ltd	Section 36(1)a(v): Impractical	35 000 000
K(ii)2(07/2022)	Turnkey appointment for engineering consulting, project management and the implementation of rural water supply and asbestos water pipeline replacement projects for a period of 12 months	Bigen Africa Services	Section 36(1)a(v): Impractical	20 160 000
K(ii)2(07/2022)	Supply and delivery of LV electrical supplies	Tshepang Electrical	Section 36(1)a(v): Impractical	Rates
K(ii)2(07/2022)	Rehabilitation and surfacing of roads for a period of 6 months	TOSAS	Section 36(1)a(v): Impractical	696 497

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021
<b>56. Other 5 (continued)</b>			
K(ii)2(07/2022)	Appointment for the Blix Environmental cleaning of blocked storm water pipes ranging from 450mm to 1200mm in diameter, manholes and storm water inlets for a period of 6 months	Technologies Section 36(1)a(v): Impractical	534 750
K(ii)2(07/2022)	Supply of cold mix asphalt material and hot mix asphalt for the repair of potholes and services duct for a period of 6 months	National Asphalt Section 36(1)a(v): Impractical	383 709
			<b>2 042 419 901</b>

During the year under review, eleven (12) deviations had unquantifiable contract values due to the nature of the contracts.

### 57. Risk management

In rendering service delivery Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has exposure to the following financial risks:

Capital Risk Management  
Financial Risk Management  
Liquidity Risk Management  
Interest Rate Risk  
Credit Risk

#### 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 maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 20, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including 'current and non-current borrowings and finance liabilities' as shown in the statement of financial position). Total assets is calculated as 'total assets' as shown in the statement of financial position.

The municipality's strategy is to maintain a gearing ratio of between 5% to 10%.

The gearing ratio for the 2021/22 financial year is 3%

The results of the gearing ratio as calculated in the 2021/22 financial year indicates that the municipality is within the municipality's strategy. The municipality is still able to pay off its borrowings timeously, as and when required by the financial service providers.

The municipality has put the following measures in place to improve the gearing ratio:

1. Review of long-term financial plan.
2. Implementation of budget support plan
3. Review of the credit control and debt management policy of the municipality to ensure enhanced debt collection
4. The municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.

The only externally imposed capital requirement from the borrowings that the municipality currently has is for the timeous payment of all the debt that the municipality has as per the terms outlined in the borrowings terms.

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 57. Risk management (continued)

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

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021
<b>57. Risk management (continued)</b>			
<b>Total borrowings</b>			
Finance lease obligation	15	1 043 413	13 898 197
Financial liabilities	20	219 078 232	249 190 588
		<b>220 121 645</b>	<b>263 088 785</b>
Less: Cash and cash equivalents	5	141 836 531	64 924 661
Net debt		78 285 114	198 164 124
Total equity		5 298 100 039	5 296 007 050
<b>Total capital</b>		<b>5 376 385 153</b>	<b>5 494 171 174</b>

### Financial risk management

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



## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 57. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Management is ensuring that the debts of the municipality are paid timeously as required by the financial institutions.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments as per the approved borrowings policy. The municipality currently has 3 loans, all of which are at fixed interest rates.

#### Credit risk

Credit risk is the risk of financial loss to the municipality if a customer/counterparty to a financial instrument fails to meet its contracted obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

#### Financial instrument

	2022	2021
Financial assets (note 13)	516 011	598 971
Receivables from non-exchange transactions (note 3)	277 423 225	276 310 457
Receivables from exchange transactions (note 4)	442 187 677	348 313 360
Call accounts money market accounts (note 5)	75 798 423	8 449 361
Cash and cash equivalents (note 5)	66 038 108	56 475 066

### 58. Accounting by principals and agents

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

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 58. Accounting by principals and agents (continued)

#### Municipality as agent

Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal	9 484 594	12 037 727
Revenue recognised as compensation for the transactions carried out on behalf of the principal	22 305 299	25 125 452
<b>Receivables held on behalf of the principal</b>		
<b>Payables held on behalf of the principal</b>		
Opening balance	9 484 594	12 037 727
Expenses incurred	66 196 771	76 995 400
Cash paid	(64 889 481)	(79 548 533)
Closing balance	10 791 884	9 484 594

#### Principal - Department of Roads and Transport in the Gauteng Provincial Government (Department)

##### Agent - Mogale City Local Municipality

The expected timing of the remittance of the resources from the municipality to the principal is on a monthly basis. The municipality receives a variable commission on revenue collected based on the rate stipulated by the Gauteng Provincial Treasury.

##### Description of the arrangement

In terms of the agreement, the municipality is assigned the Registering and Testing authority functions which includes the functions of Motor Vehicle Registration and Licensing and related functions, Driving license test centre functions and vehicle testing as a principal agent on behalf of the Department of Roads and Transport in the Gauteng Provincial Government

##### Significant Terms and Conditions

The obligations of the municipality with respect to the collection of fees and the paying over of fees to the Provincial Government shall be in accordance with the Act (i.e the Road Traffic Act No 29 of 1997, and the Provincial Road Traffic Circulars as may be amended from time to time), the Natis Financial Manual, Annex E to the Service Level Agreement and the Public Finance Management Act 1 of 1999 and in accordance with the Municipal Finance Management Act 56 of 2003.

##### Purpose of the relationship and significant risks

The purpose of the agreement is to enable the Department to provide greater access to clients to registering and testing functions through-out Mogale City in collaboration with the Municipality. The significant risks are fraud and corruption in the process.

#### Municipality as principal

##### Easypay Pty Ltd, Afican Utility Solutions Pty Ltd (AUS) and South African Post Office (SAPO)

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

### 58. Accounting by principals and agents (continued)

#### Resources (assets and liabilities) of the municipality that are under the custodianship of the agent

Fee paid as commission to the agent - Prepaid Electricity Vending (Inclusive of VAT)	4 913 613	4 280 486
Fee paid as commission to the agent - Bill payments receipting (Inclusive of VAT)	7 020 145	6 192 077
Fee paid as commission to the agent - Prepaid Water Vending (Inclusive of VAT)	1 961 067	2 139 244
Fee paid as commission to the agent - Bill payment receipting (Inclusive of VAT)	47 587	280 850
	<b>13 942 412</b>	<b>12 892 657</b>

#### Description of the arrangement

The Municipality has a contractual arrangement with Easypay Pty Ltd in terms of which Easypay acts as an agent of the municipality by receiving payments of municipal account payments as well as vending of prepaid electricity to municipal customers.

The Municipality has a contractual arrangement with African Utility Solutions Pty Ltd (AUS) in terms of which AUS acts as an agent of the municipality by receiving payments for vending of prepaid water to municipal customers.

The Municipality has an arrangement with the South African Post Office (SAPO) in terms of which SAPO acts as an agent of the municipality by receiving payments of municipal accounts from municipal customers.

#### Significant terms and conditions

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality. (Easypay Pty Ltd)

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality. (AUS)

The agent uses its infrastructure, resources and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality. (SAPO)

#### Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal bills and to also buy prepaid electricity. (Easypay Pty Ltd)

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to buy prepaid water. (AUS)

The arrangement enables municipal customers to have convenient 24/7 access to the agent's outlets throughout Mogale City to pay their municipal accounts. (SAPO)

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 59. Going concern

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's 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 of R 5 256 453 273 and that the municipality's total liabilities exceed its assets by R 5 298 100 039

The Municipality has the authority to levy rates or taxes these will enable the Municipality to be considered as a going concern even though Municipality is operating with the negative net assets for extended periods. During the 2021/22 financial year the municipality billed rates and service charges amounting to R 2 473 831 290

At 30 June 2022, the following liquidity ratios were measured in terms of MFMA circular 71. The norm on these liquidity ratios is 1.5:2.1. Management has concluded that the ability of the municipality to continue as a going concern is not at risk.

Current ratio	2022: 0,62	2021: 0,59
Cost coverage months	2022: 0,55 months	2021: 0,12 months

### 60. Change in estimate

#### Property, plant and equipment

The useful life of assets was reviewed during the current financial year and this resulted in a decrease in the depreciation amounting to R1 607 713 for the current and future financial periods.

### 61. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and public safety, Economic and environmental services, Trading service and others. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

#### 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	Community and public safety
Segment 2	Economic and environmental services
Segment 3	Trading Services
Segment 4	Other

## Notes to the Annual Financial Statements

Figures in Rand

### 61. Segment information (continued)

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

2022

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	25 350 928	(20 056 358)	(2 009 749 952)	(18 724 590)	(2 023 179 972)
Revenue from exchange transactions	(344 943 338)	(103 213 172)	(373 594 984)	(623 466 498)	(1 445 217 992)
Interest revenue	-	-	-	53 395 932	53 395 932
<b>Total segment revenue</b>	<b>(319 592 410)</b>	<b>(123 269 530)</b>	<b>(2 383 344 936)</b>	<b>(588 795 156)</b>	<b>(3 415 002 032)</b>
<b>Expenditure</b>					
Total Segment Expenses	287 706 678	158 358 880	2 015 444 116	751 664 556	3 213 174 230
Depreciation and Amortisation	16 157 380	123 384 528	92 759 646	2 029 410	234 330 964
Interest Expenses	880 843	111 222	845 008	25 657 466	27 494 539
<b>Total segment expenditure</b>	<b>304 744 901</b>	<b>281 854 630</b>	<b>2 109 048 770</b>	<b>779 351 432</b>	<b>3 474 999 733</b>
<b>Total segmental surplus/(deficit)</b>					<b>(6 890 001 765)</b>
<b>Total segment capital expenditure</b>					
				<b>Actual Capital Expenditure</b>	
Governance and administration				8 000 204	
Community and public safety				33 215 282	
Economic and environmental services				155 283 398	
Trading services				134 408 403	
<b>Total</b>					<b>330 907 287</b>

## Notes to the Annual Financial Statements

Figures in Rand

### 61. Segment information (continued)

2021

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	338 480 625	81 122 140	399 326 246	519 839 496	1 338 768 507
Revenue from exchange transactions	(6 131 205)	30 664 582	1 822 843 858	2 128 535	1 849 505 770
Interest revenue	-	-	-	37 339 076	37 339 076
<b>Total segment revenue</b>	<b>332 349 420</b>	<b>111 786 722</b>	<b>2 222 170 104</b>	<b>559 307 107</b>	<b>3 225 613 353</b>
<b>Expenditure</b>					
Total segment expenses	289 876 610	171 099 068	1 826 859 167	653 506 731	2 941 341 576
Depreciation and amortisation	61 064 519	38 545 978	69 013 553	76 384 778	245 008 828
Interest expenses	2 630 428	1 333 662	4 558 799	29 939 902	38 462 791
<b>Total segment expenditure</b>	<b>353 571 557</b>	<b>210 978 708</b>	<b>1 900 431 519</b>	<b>759 831 411</b>	<b>3 224 813 195</b>
<b>Total segmental surplus/(deficit)</b>					<b>800 158</b>
<b>Total segment capital expenditure</b>					
				<b>Actual Capital Expenditure</b>	
Governance and administration				1 398 127	
Community and public safety				41 073 911	
Economic and environmental services				64 551 234	
Trading services				115 671 406	
<b>Total</b>					<b>222 694 677</b>

## Appendixes

### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2022</b>											
<b>Financial Performance</b>											
Property rates	510 136 886	34 710 617	544 847 503	-		544 847 503	548 627 737		3 780 234	101 %	108 %
Service charges	1 884 504 324	(2 007 579)	1 882 496 745	-		1 882 496 745	1 925 203 553		42 706 808	102 %	102 %
Investment revenue	3 204 766	(1 118 523)	2 086 243	-		2 086 243	2 615 277		529 034	125 %	82 %
Transfers recognised - operational	513 428 080	2 950 775	516 378 855	-		516 378 855	515 774 648		(604 207)	100 %	100 %
Other own revenue	245 619 832	(64 776 135)	180 843 697	-		180 843 697	234 184 640		53 340 943	129 %	95 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>3 156 893 888</b>	<b>(30 240 845)</b>	<b>3 126 653 043</b>	<b>-</b>		<b>3 126 653 043</b>	<b>3 226 405 855</b>		<b>99 752 812</b>	<b>103 %</b>	<b>102 %</b>
Employee costs	(939 412 211)	(9 668 691)	(949 080 902)	-	74 088 642	(874 992 260)	(850 483 354)	-	24 508 906	97 %	91 %
Remuneration of councillors	(36 365 546)	-	(36 365 546)	-	-	(36 365 546)	(33 922 375)	-	2 443 171	93 %	93 %
Debt impairment	(253 334 087)	(18 333 501)	(271 667 588)	-		(271 667 588)	(266 202 205)	-	5 465 383	98 %	105 %
Depreciation and asset impairment	(237 766 843)	-	(237 766 843)	-	(14 955 814)	(252 722 657)	(255 961 986)	-	(3 239 329)	101 %	108 %
Finance charges	(45 696 838)	-	(45 696 838)	-	11 399 055	(34 297 783)	(27 494 539)	-	6 803 244	80 %	60 %
Materials and bulk purchases	(1 308 218 618)	(12 999 379)	(1 321 217 997)	-	(31 114 118)	(1 352 332 115)	(1 344 628 909)	-	7 703 206	99 %	103 %
Transfers and grants	(3 019 384)	-	(3 019 384)	-	30 000	(2 989 384)	(1 886 492)	-	1 102 892	63 %	62 %
Other expenditure	(628 134 230)	83 600 799	(544 533 431)	-	(39 447 765)	(583 981 196)	(695 068 525)	-	(111 087 329)	119 %	111 %
<b>Total expenditure</b>	<b>(3 451 947 757)</b>	<b>42 599 228</b>	<b>(3 409 348 529)</b>	<b>-</b>	<b>-</b>	<b>(3 409 348 529)</b>	<b>(3 475 648 385)</b>	<b>-</b>	<b>(66 299 856)</b>	<b>102 %</b>	<b>101 %</b>
<b>Surplus/(Deficit)</b>	<b>(295 053 869)</b>	<b>12 358 383</b>	<b>(282 695 486)</b>	<b>-</b>		<b>(282 695 486)</b>	<b>(249 242 530)</b>		<b>33 452 956</b>	<b>88 %</b>	<b>84 %</b>

## Appendixes

### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	217 859 080	83 775 934	301 635 014	-		301 635 014	295 388 043		(6 246 971)	98 %	136 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(77 194 789)</b>	<b>96 134 317</b>	<b>18 939 528</b>	<b>-</b>		<b>18 939 528</b>	<b>46 145 513</b>		<b>27 205 985</b>	<b>244 %</b>	<b>(60)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(77 194 789)</b>	<b>96 134 317</b>	<b>18 939 528</b>	<b>-</b>		<b>18 939 528</b>	<b>46 145 513</b>		<b>27 205 985</b>	<b>244 %</b>	<b>(60)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	259 784 080	91 380 643	351 164 723	-		351 164 723	330 907 287		(20 257 436)	94 %	127 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	217 859 080	83 775 934	301 635 014	-		301 635 014	295 388 043		(6 246 971)	98 %	136 %
Internally generated funds	41 925 000	7 604 709	49 529 709	-		49 529 709	35 519 244		(14 010 465)	72 %	85 %
<b>Total sources of capital funds</b>	<b>259 784 080</b>	<b>91 380 643</b>	<b>351 164 723</b>	<b>-</b>		<b>351 164 723</b>	<b>330 907 287</b>		<b>(20 257 436)</b>	<b>94 %</b>	<b>127 %</b>



## Appendixes

### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	220 213 897	108 907 376	329 121 273	-		329 121 273	412 492 035		83 370 762	125 %	187 %
Net cash from (used) investing	(259 784 080)	(101 380 643)	(361 164 723)	-		(361 164 723)	(292 612 791)		68 551 932	81 %	113 %
Net cash from (used) financing	(30 112 356)	-	(30 112 356)	-		(30 112 356)	(42 967 140)		(12 854 784)	143 %	143 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(69 682 539)</b>	<b>7 526 733</b>	<b>(62 155 806)</b>	<b>-</b>		<b>(62 155 806)</b>	<b>76 912 104</b>		<b>139 067 910</b>	<b>(124)%</b>	<b>(110)%</b>
Cash and cash equivalents at the beginning of the year	98 336 387	(33 411 726)	64 924 661	-		64 924 661	64 924 427		(234)	100 %	66 %
<b>Cash and cash equivalents at year end</b>	<b>28 653 848</b>	<b>(25 884 993)</b>	<b>2 768 855</b>	<b>-</b>		<b>2 768 855</b>	<b>141 836 531</b>		<b>(139 067 676)</b>	<b>5 123 %</b>	<b>495 %</b>