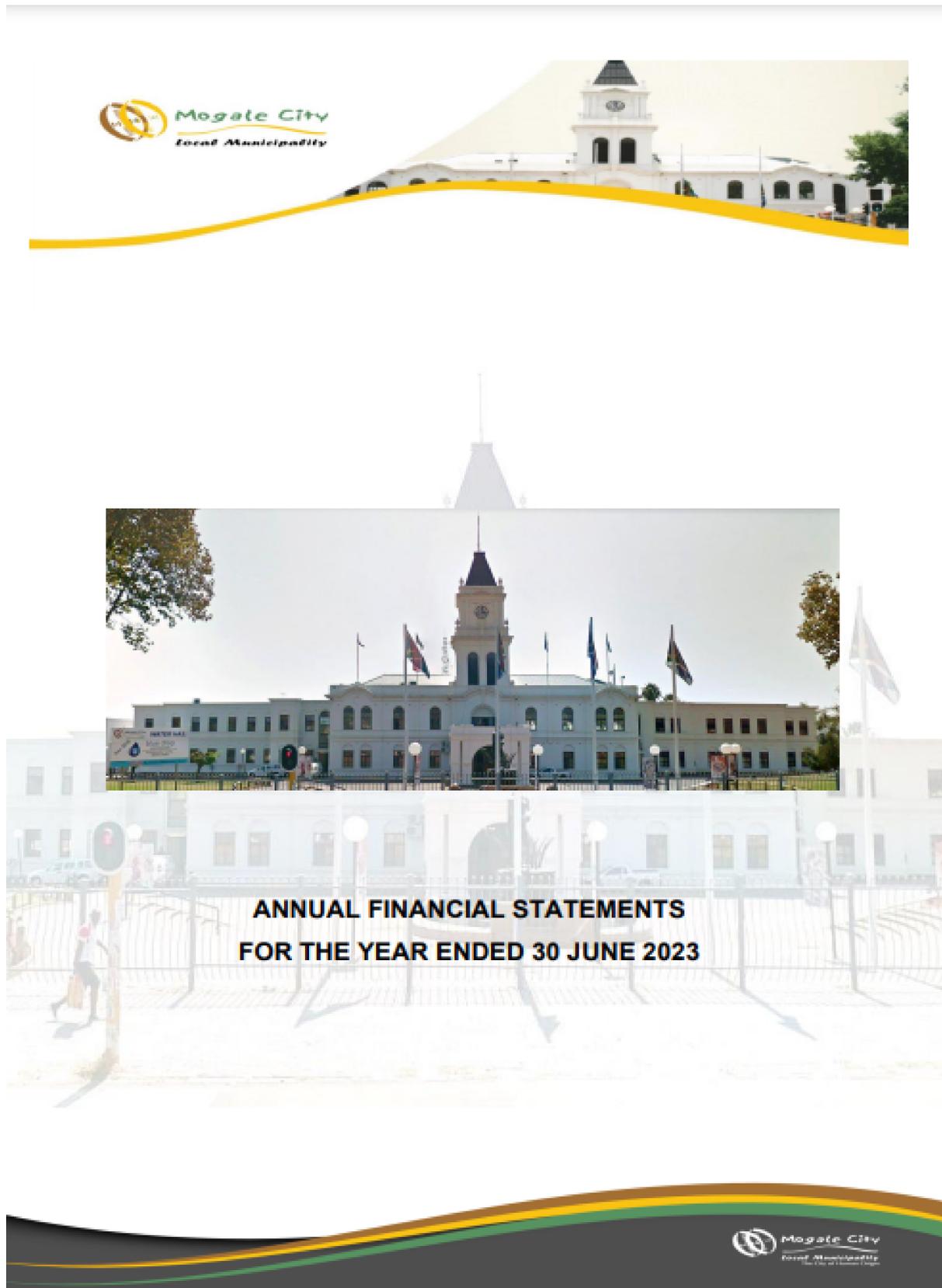


# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023



(Registration number GT 481)

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<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 D. Thupane
Speaker	Cllr L. Sele
Chief Whip	Cllr T. Ramaisa
Municipal Public Accounts Committee	Cllr M. Lephadi
Members of Mayoral Committee	MMC Finance: Cllr. D. David MMC Social Development: Cllr W. Segolodi MMC Human Settlement, Real Estate & Rural Development: Cllr M. Mogoje MMC Local Economic: Cllr N. Segapela MMC Utilities: Cllr P. Modise MMC Public Safety: Cllr F. Makgatho MMC Public Works, Roads & Transport: Cllr J. Koboekae MMC Corporate Support Services: Cllr K. Mandyu MMC Sports, Recreation, Arts, Culture & Heritage: Cllr D. Modiko MMC Integrated Environmental Management: Cllr X. Mkruquli
Councillors	Cllr V. Khumalo Cllr L. Resha Cllr M. Ndamase Cllr J. Muravha Cllr X. Nomalungelo Cllr R. Moeketsi Cllr C. Mankazana Cllr E. Munyai Cllr K. Morake Cllr V. Molefe Cllr M. Cornelius Cllr M. Taunyane Cllr T. Phindani Cllr V. Khol Cllr L. Lebewane Cllr W. David Cllr P. Mokoto Cllr N. Nhlapo Cllr K. Motlhope

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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Cllr L. Pii  
Cllr W. Mnyaji  
Cllr S. Dabhelia  
Cllr T. Tshose  
Cllr L. Ntshabele  
Cllr G. Kubayi  
Cllr M. Nqosa  
Cllr S. Govindsamy  
Cllr P. Matshaba  
Cllr E. Mahne  
Cllr T. Naude  
Cllr J. Tapani  
Cllr O. Moralo  
Cllr J. Kotze  
Cllr L. Du Toit  
Cllr A. Jooste  
Cllr L. Zwankhuizen  
Cllr C. Van Der Westhuizen  
Cllr M. Trump  
Cllr S. Cochrane  
Cllr A. Van Loggerenberg  
Cllr D. Nieuwenhuizen  
Cllr T. Gray  
Cllr L. Lekoto  
Cllr J. Holtzhausen  
Cllr K. Lekagane  
Cllr L. Moleba  
Cllr Z. Wehinger-Maguire  
Cllr J. Pannel  
Cllr J. Seleke  
Cllr N. Sithole  
Cllr T. Koto  
Cllr F. Ngobeni  
Cllr M. Hleza  
Cllr K. Ntshangase  
Cllr M. Badenhorst  
Cllr D. Toerien  
Cllr L. Gouws  
Cllr A. Steyn  
Cllr J. Liebenberg  
Cllr T. Steenkamp  
Cllr T. Ntando  
Cllr S. Lebesa  
Cllr B. Nkosi

**Grading of local authority**

High Capacity (Grade 5)

**Accounting Officer**

Mr M.A. Msezana

**Chief Financial Officer**

Ms B.V. Monkwe

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<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>	Dr Len Konar (Chair) (1 July 2022 - 30 June 2023) Mr Bashir Ahmed (1 July 2022 - 30 June 2023) Mr Luyanda Mangquku (1 July 2022 - 30 June 2023) Mr Maphanga Maseko (1 July 2022 - 30 June 2023) Mr. Lufuno Ravhuhali (1 July 2022 - 30 June 2023)
<b>Bankers</b>	ABSA Standard Bank of South Africa Limited

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Index and Acronyms

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

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Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 15
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# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Index and Acronyms

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AIDS	Acquired Immunodeficiency Syndrome
COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of Southern Africa
DoE	Department of Energy
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	Integrated Uran Development Grant (Previously MIG)
MCLM	Mogale City Local Municipality
MFMA	Municipal Finance Management Act
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
AIDS	Acquired Immunodeficiency Syndrome
SRAC	Sports, Recreation, Arts and Culture
VAT	Value Added Tax
WRDM	West Rand District Municipality
WSIG	Water Services Infrastructure Grant

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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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 current financial year to June 30, 2024 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 36 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 a statutory audit and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 8 to 123, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 August 2023.

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**Accounting Officer**  
**Makhosana Msezana**

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	5,595,483	5,874,432
Receivables from non-exchange transactions	3	308,269,500	277,423,225
Receivables from exchange transactions	4	483,876,603	441,814,377
Cash and cash equivalents	5	144,501,712	141,836,531
Operating lease asset	7	49,297	52,983
VAT receivable	8	55,155,023	42,349,617
		<b>997,447,618</b>	<b>909,351,165</b>
<b>Non-Current Assets</b>			
Living resources	6	3,063,550	3,187,374
Investment property	9	668,196,700	657,844,328
Property, plant and equipment	10	5,853,860,040	5,765,959,718
Intangible assets	11	2,296,159	3,762,719
Heritage assets	12	2,450,275	2,450,275
Financial assets	13	569,496	516,011
		<b>6,530,436,220</b>	<b>6,433,720,425</b>
<b>Total Assets</b>		<b>7,527,883,838</b>	<b>7,343,071,590</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease payments liability	7	2,728	-
Employee benefit obligation	14	13,088,071	14,547,600
Finance lease obligation	15	1,510	93,189
Unspent conditional grants and receipts	16	15,694,787	6,851,376
Provisions	17	2,041,724	289,306
Payables from non-exchange transactions	18	138,388,042	110,431,131
Payables from exchange transactions	19	1,233,926,957	1,226,397,037
Financial liabilities	20	48,722,579	30,695,663
Sundry deposits	21	12,838,245	12,815,095
Consumer deposits and guarantees	22	69,956,213	67,262,290
		<b>1,534,660,856</b>	<b>1,469,382,687</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	14	225,341,582	227,447,000
Finance lease obligation	15	948,713	950,224
Provisions	17	97,894,817	97,936,220
Financial liabilities	20	139,659,990	188,382,569
Operating lease payments liability	7	88	-
		<b>463,845,190</b>	<b>514,716,013</b>
<b>Total Liabilities</b>		<b>1,998,506,046</b>	<b>1,984,098,700</b>
<b>Net Assets</b>		<b>5,529,377,792</b>	<b>5,358,972,890</b>
Social Responsibility		50,434,216	41,647,552
Accumulated surplus		5,478,943,576	5,317,325,397
<b>Total Net Assets</b>		<b>5,529,377,792</b>	<b>5,358,972,949</b>

\* See Note 48

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	1,977,445,313	1,925,203,553
Rental of facilities and equipment	25	7,563,438	5,127,954
Income from agency services	26	23,220,916	22,305,292
Licences and permits		68,228	33,414
Operational revenue from exchange transactions	27	34,080,527	45,420,026
Interest received - Outstanding debtors	28	87,748,396	50,780,655
Investment revenue - Interest revenue	29	7,454,743	2,589,198
Investment revenue - Dividends revenue	29	28,109	26,079
<b>Total revenue from exchange transactions</b>		<b>2,137,609,670</b>	<b>2,051,486,171</b>
<b>Revenue from non-exchange transactions</b>			
Statutory income: Property rates	30	614,122,237	548,627,737
Transfers and subsidies	31	890,578,492	811,162,691
Donations	32	37,559,341	1,395,914
Fines, Penalties and Forfeits	33	71,887,296	62,491,230
Fair value adjustments	34	10,456,972	21,538,219
<b>Total revenue from non-exchange transactions</b>		<b>1,624,604,338</b>	<b>1,445,215,791</b>
<b>Total revenue</b>		<b>3,762,214,008</b>	<b>3,496,701,962</b>
<b>Expenditure</b>			
Employee related costs	35	(927,445,381)	(851,831,319)
Remuneration of councillors	36	(38,760,238)	(33,922,375)
Depreciation and amortisation	37	(256,689,795)	(235,525,857)
(Impairment loss)/Reversal of impairments	38	(10,645,604)	(18,955,824)
Interest costs	39	(63,652,823)	(53,198,795)
Debt Impairment	40	(331,114,214)	(266,202,205)
Collection costs	41	(46,172,597)	(33,218,658)
Bulk purchases	42	(1,403,825,020)	(1,320,670,187)
Contracted services	43	(390,642,783)	(550,359,234)
Transfers and Subsidies		(1,031,514)	(1,886,492)
Fair value adjustments	34	-	(82,960)
Operational costs	44	(158,118,317)	(133,917,286)
<b>Total expenditure</b>		<b>(3,628,098,286)</b>	<b>(3,499,771,192)</b>
		<b>134,115,722</b>	<b>(3,069,230)</b>
Gains and losses	45	26,098,480	23,710,167
<b>Surplus for the year</b>		<b>160,214,202</b>	<b>20,640,937</b>

\* See Note 48

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Accumulated surplus	Total net assets
Opening balance as previously reported	28,514,391	5,205,489,191	5,234,003,582
Adjustments			
Total changes/Surplus for the year	5,942,642	35,934,595	41,877,237
Correction of error	-	55,260,674	55,260,674
<b>Restated* Balance at July 1, 2021</b>	<b>34,457,033</b>	<b>5,296,684,460</b>	<b>5,331,141,493</b>
Restated* surplus for the year	-	20,640,937	20,640,937
Total changes	7,190,519	20,640,937	27,831,456
Adjustments			
Surplus for the year	-	46,145,513	46,145,513
Correction of errors	-	(25,504,576)	(25,504,576)
<b>Restated* Balance at July 1, 2022 as restated*</b>	<b>41,647,552</b>	<b>5,317,325,397</b>	<b>5,358,972,949</b>
Changes in net assets			
Surplus for the year	-	160,214,202	160,214,202
Total changes	8,786,664	160,214,202	169,000,866
<b>Balance at June 30, 2023</b>	<b>50,434,216</b>	<b>5,478,943,576</b>	<b>5,529,377,792</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, which was revised to 2% from 1 July 2022. 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 2% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

\* See Note 48

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		531,307,586	479,607,271
Sale of goods and services		1,773,505,293	1,695,426,092
Interest income		95,203,139	53,369,852
Dividends received		28,109	26,079
Grants		899,421,902	780,606,054
Other receipts		9,987,088	77,866,548
		<u>3,309,453,117</u>	<u>3,086,901,896</u>
<b>Payments</b>			
Employee costs		(944,132,056)	(874,422,199)
Suppliers		(1,942,335,497)	(1,759,778,112)
Interest costs		(63,652,823)	(53,198,795)
		<u>(2,950,120,376)</u>	<u>(2,687,399,106)</u>
<b>Net cash flows from operating activities</b>	46	<b><u>359,332,741</u></b>	<b><u>399,502,790</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(325,878,707)	(276,493,112)
Purchase of intangible assets	11	-	(3,130,434)
<b>Net cash flows from investing activities</b>		<b><u>(325,878,707)</u></b>	<b><u>(279,623,546)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of financial liabilities		(30,695,663)	(30,112,356)
Finance lease obligation		(93,190)	(12,854,784)
<b>Net cash flows from financing activities</b>		<b><u>(30,788,853)</u></b>	<b><u>(42,967,140)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,665,181</b>	<b>76,912,104</b>
Cash and cash equivalents at the beginning of the year		141,836,531	64,924,427
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>144,501,712</u></b>	<b><u>141,836,531</u></b>

\* See Note 48

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## 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	2,027,294,271	8,483,631	<b>2,035,777,902</b>	1,977,445,313	<b>(58,332,589)</b>	
Rental of facilities and equipment	4,054,285	2,446,840	<b>6,501,125</b>	7,563,438	<b>1,062,313</b>	46.1
Interest received (Outstanding debtors)	49,040,288	33,257,536	<b>82,297,824</b>	87,748,396	<b>5,450,572</b>	
Income from agency services	20,078,193	10,479,056	<b>30,557,249</b>	23,220,916	<b>(7,336,333)</b>	46.2
Licences and permits	35,244	49,058	<b>84,302</b>	68,228	<b>(16,074)</b>	46.3
Operational revenue from exchange transactions	40,952,051	27,802,615	<b>68,754,666</b>	34,080,527	<b>(34,674,139)</b>	46.6
Investment revenue - Interest revenue	2,086,243	1,808,216	<b>3,894,459</b>	7,454,743	<b>3,560,284</b>	46.4
Investment revenue - Dividends revenue	-	-	-	28,109	<b>28,109</b>	
<b>Total revenue from exchange transactions</b>	<b>2,143,540,575</b>	<b>84,326,952</b>	<b>2,227,867,527</b>	<b>2,137,609,670</b>	<b>(90,257,857)</b>	
<b>Revenue from non-exchange transactions</b>						
Property rates	561,192,929	10,409,887	<b>571,602,816</b>	614,122,237	<b>42,519,421</b>	
Transfers and subsidies	925,527,160	(18,448,024)	<b>907,079,136</b>	890,578,492	<b>(16,500,644)</b>	
Donations	-	-	-	37,559,341	<b>37,559,341</b>	
Fines, Penalties and Forfeits	74,918,106	(12,426,876)	<b>62,491,230</b>	71,887,296	<b>9,396,066</b>	46.5
Fair value adjustments	-	-	-	10,456,972	<b>10,456,972</b>	
<b>Total revenue from non-exchange transactions</b>	<b>1,561,638,195</b>	<b>(20,465,013)</b>	<b>1,541,173,182</b>	<b>1,624,604,338</b>	<b>83,431,156</b>	
<b>Total revenue</b>	<b>3,705,178,770</b>	<b>63,861,939</b>	<b>3,769,040,709</b>	<b>3,762,214,008</b>	<b>(6,826,701)</b>	
<b>Expenditure</b>						
Employee related costs	(1,082,623,170)	152,738,601	<b>(929,884,569)</b>	(927,445,381)	<b>2,439,188</b>	
Remuneration of councillors	(37,820,168)	(2,936,788)	<b>(40,756,956)</b>	(38,760,238)	<b>1,996,718</b>	
Depreciation and amortisation	(246,766,898)	(13,571,828)	<b>(260,338,726)</b>	(256,689,795)	<b>3,648,931</b>	
Impairment loss/ Reversal of impairments	(510,616)	(10,769,805)	<b>(11,280,421)</b>	(10,645,604)	<b>634,817</b>	
Interest costs	(27,139,312)	(41,465,594)	<b>(68,604,906)</b>	(63,652,823)	<b>4,952,083</b>	46.7
Debt Impairment	(261,759,315)	(86,491,674)	<b>(348,250,989)</b>	(331,114,214)	<b>17,136,775</b>	
Other Materials	(7,500,801)	(635,351)	<b>(8,136,152)</b>	-	<b>8,136,152</b>	
Collection costs	(20,745,249)	(25,427,348)	<b>(46,172,597)</b>	(46,172,597)	-	
Bulk purchases	(1,428,441,426)	24,616,406	<b>(1,403,825,020)</b>	(1,403,825,020)	-	
Contracted Services	(335,133,125)	(78,157,077)	<b>(413,290,202)</b>	(390,642,783)	<b>22,647,419</b>	
Transfers and Subsidies (operational expenditure)	(3,140,160)	(22,998)	<b>(3,163,158)</b>	(1,031,514)	<b>2,131,644</b>	46.9
Operational costs	(148,435,318)	(22,056,874)	<b>(170,492,192)</b>	(158,118,317)	<b>12,373,875</b>	46.8
<b>Total expenditure</b>	<b>(3,600,015,558)</b>	<b>(104,180,330)</b>	<b>(3,704,195,888)</b>	<b>(3,628,098,286)</b>	<b>76,097,602</b>	
<b>Surplus/(deficit)</b>	<b>105,163,212</b>	<b>(40,318,391)</b>	<b>64,844,821</b>	<b>134,115,722</b>	<b>69,270,901</b>	

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## 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>Surplus for the year before gains, losses and fair value adjustments</b>	<b>105,163,212</b>	<b>(40,318,391)</b>	<b>64,844,821</b>	<b>134,115,722</b>	<b>69,270,901</b>	
Gains and losses	-	-	-	26,098,480	<b>26,098,480</b>	

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## 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 Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	15,336,759	-	<b>15,336,759</b>	5,595,483	<b>(9,741,276)</b>	
Receivables from non-exchange transactions	296,224,176	-	<b>296,224,176</b>	308,269,500	<b>12,045,324</b>	
Receivables from exchange transactions	241,770,159	442,187,677	<b>683,957,836</b>	483,876,603	<b>(200,081,233)</b>	
Cash and cash equivalents	122,077,229	(120,838,244)	<b>1,238,985</b>	144,501,712	<b>143,262,727</b>	
Operating lease asset	84,604	-	<b>84,604</b>	49,297	<b>(35,307)</b>	
VAT receivable	-	-	-	55,155,012	<b>55,155,012</b>	
	<b>675,492,927</b>	<b>321,349,433</b>	<b>996,842,360</b>	<b>997,447,607</b>	<b>605,247</b>	
<b>Non-Current Assets</b>						
Investment property	698,723,898	-	<b>698,723,898</b>	668,196,700	<b>(30,527,198)</b>	
Property, plant and equipment	5,840,416,680	(53,462,754)	<b>5,786,953,926</b>	5,853,860,040	<b>66,906,114</b>	
Living resources	2,734,560	-	<b>2,734,560</b>	3,063,550	<b>328,990</b>	
Intangible assets	3,021,890	-	<b>3,021,890</b>	2,296,159	<b>(725,731)</b>	
Heritage assets	-	-	-	2,450,275	<b>2,450,275</b>	
Financial assets	598,971	-	<b>598,971</b>	569,496	<b>(29,475)</b>	
	<b>6,545,495,999</b>	<b>(53,462,754)</b>	<b>6,492,033,245</b>	<b>6,530,436,220</b>	<b>38,402,975</b>	
<b>Total Assets</b>	<b>7,220,988,926</b>	<b>267,886,679</b>	<b>7,488,875,605</b>	<b>7,527,883,827</b>	<b>39,008,222</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Employee benefit obligation	-	-	-	13,088,071	<b>13,088,071</b>	
Finance lease obligation	-	-	-	1,510	<b>1,510</b>	
Unspent conditional grants and receipts	-	-	-	15,694,787	<b>15,694,787</b>	
Provisions	98,035,194	-	<b>98,035,194</b>	2,041,724	<b>(95,993,470)</b>	
Payables from non-exchange transactions	-	-	-	138,388,042	<b>138,388,042</b>	
Payables from exchange transactions	1,077,512,199	-	<b>1,077,512,199</b>	1,233,926,957	<b>156,414,758</b>	
Financial liabilities	42,964,860	-	<b>42,964,860</b>	48,722,579	<b>5,757,719</b>	
Sundry deposits	-	-	-	12,838,245	<b>12,838,245</b>	
Consumer deposits and guarantees	76,455,087	-	<b>76,455,087</b>	69,956,213	<b>(6,498,874)</b>	
Operating lease liability	-	-	-	2,728	<b>2,728</b>	
	<b>1,294,967,340</b>	<b>-</b>	<b>1,294,967,340</b>	<b>1,534,660,856</b>	<b>239,693,516</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	225,341,582	<b>225,341,582</b>	
Finance lease obligation	-	-	-	948,713	<b>948,713</b>	
Provisions	388,827,918	-	<b>388,827,918</b>	97,894,817	<b>(290,933,101)</b>	
Financial liabilities	189,428,338	-	<b>189,428,338</b>	139,659,990	<b>(49,768,348)</b>	
Operating lease liability	-	-	-	88	<b>88</b>	
	<b>578,256,256</b>	<b>-</b>	<b>578,256,256</b>	<b>463,845,190</b>	<b>(114,411,066)</b>	
<b>Total Liabilities</b>	<b>1,873,223,596</b>	<b>-</b>	<b>1,873,223,596</b>	<b>1,998,506,046</b>	<b>125,282,450</b>	

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## 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>5,347,765,330</b>	<b>267,886,679</b>	<b>5,615,652,009</b>	<b>5,529,377,781</b>	<b>(86,274,228)</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Social Responsibility Fund	-	-	-	50,434,216	<b>50,434,216</b>	
Accumulated surplus	5,347,765,330	267,886,679	<b>5,615,652,009</b>	5,478,943,565	<b>(136,708,444)</b>	
<b>Total Net Assets</b>	<b>5,347,765,330</b>	<b>267,886,679</b>	<b>5,615,652,009</b>	<b>5,529,377,781</b>	<b>(86,274,228)</b>	

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## 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	561,192,929	(35,318,338)	<b>525,874,591</b>	531,307,586	<b>5,432,995</b>	
Services charges	1,841,178,079	31,737,590	<b>1,872,915,669</b>	1,773,505,293	<b>(99,410,376)</b>	
Other Revenue	263,769,988	167,896,349	<b>431,666,337</b>	9,987,088	<b>(421,679,249)</b>	
Transfers and Subsidies - Operating	585,233,704	(2,093,845)	<b>583,139,859</b>	899,421,902	<b>316,282,043</b>	
Transfers and Subsidies - capital	340,293,456	(16,354,179)	<b>323,939,277</b>	-	<b>(323,939,277)</b>	
Interest	51,124,778	35,067,505	<b>86,192,283</b>	95,203,139	<b>9,010,856</b>	
Dividend income	-	-	-	28,109	<b>28,109</b>	
	<b>3,642,792,934</b>	<b>180,935,082</b>	<b>3,823,728,016</b>	<b>3,309,453,117</b>	<b>(514,274,899)</b>	
<b>Payments</b>						
Suppliers and employee costs	(3,208,490,606)	(318,338,439)	<b>(3,526,829,045)</b>	(2,886,467,553)	<b>640,361,492</b>	
Interest costs	(27,139,312)	(69,000)	<b>(27,208,312)</b>	(63,652,823)	<b>(36,444,511)</b>	
Other payments	(3,140,160)	(5,524,002)	<b>(8,664,162)</b>	-	<b>8,664,162</b>	
	<b>(3,238,770,078)</b>	<b>(323,931,441)</b>	<b>(3,562,701,519)</b>	<b>(2,950,120,376)</b>	<b>612,581,143</b>	
<b>Net cash flows from operating activities</b>	<b>404,022,856</b>	<b>(142,996,359)</b>	<b>261,026,497</b>	<b>359,332,741</b>	<b>98,306,244</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(424,391,137)	53,462,754	<b>(370,928,383)</b>	(325,878,707)	<b>45,049,676</b>	
<b>Cash flows from financing activities</b>						
Finance lease obligation	-	-	-	(93,190)	<b>(93,190)</b>	
Repayment of borrowing	(30,695,663)	-	<b>(30,695,663)</b>	(30,695,663)	-	
<b>Net cash flows from financing activities</b>	<b>(30,695,663)</b>	-	<b>(30,695,663)</b>	<b>(30,788,853)</b>	<b>(93,190)</b>	
Net increase/ decrease in cash held	(51,063,944)	(89,533,605)	<b>(140,597,549)</b>	2,665,181	<b>143,262,730</b>	
Cash and cash equivalents at the beginning of the year	64,924,661	76,911,873	<b>141,836,534</b>	141,836,531	<b>(3)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>13,860,717</b>	<b>(12,621,732)</b>	<b>1,238,985</b>	<b>144,501,712</b>	<b>143,262,727</b>	

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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 1 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 an accrual basis of accounting and are in accordance with 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 that is sufficient 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 to be 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 103 Heritage Assets	Not yet effective	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	1 April 2023	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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(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. We value the liability 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;

Receivable 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 account holder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.

Accounts where the account holder 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 judgement.

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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

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.

### 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 licence 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 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. The revised applicable levy for financial years from 1 July 2022 is 2% on all new tenders awarded to Service Providers that are not Mogale City based. 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 2% 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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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. (continued)

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

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 asset's 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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

### 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:

- 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 oversized or overcapacity asset.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

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.

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 assets. 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. Componentization 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. 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

# Mogale City Local Municipality

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activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

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 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:

<b>Asset Type</b>	<b>Component Type</b>	<b>Estimated Useful Life in years</b>
<b>Building</b>	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
<b>Civil Structure</b>	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
<b>Communal sanitation Drainage</b>	Septic Tank	40
	Channel	5
	Culvert	60
	Grid Inlet	30
	Kerb	20
	Kerb Inlet	20
	Sub-soil drain	60
	<b>Earthworks</b>	Earthworks
Landfill restoration		20-40
<b>Electrical equipment</b>	Control Cable	50
	Isolator	30
	MV Cable	50
	Telemetry	15
<b>External facilities</b>	Bin / Container	10
	External furniture	20
	External lighting	30

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	Irrigation	10
	Landscaping	30
	Perimeter Protection	8-30
	Small building / enclosure	20
	Tank	15
<b>Footpath / Paving</b>	Paving	20
<b>HV Conductor</b>	HV Cable	50
	HV Overhead line	50
<b>HV Substation</b>	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
<b>LV Conductor</b>	LV Cable	50
<b>Mechanical equipment</b>	Aerator	20
	Blower	20
	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
<b>Metal work</b>	Fabricated Steel	20-30
	Guard rail	15
<b>Municipal Service Connection</b>	Electrical service connection	50
	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
<b>MV Conductors</b>	MV Overhead line	50
<b>MV Mini-sub</b>	Mini-Sub	45
	Transformer	45
<b>MV Primary substation</b>	MV Switchgear - Circuit Breaker	50
<b>MV Substation</b>	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
<b>MV Transformer</b>	Pole Transformer	45
<b>Pavement</b>	Road structural layer	30
	Road surface	3

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**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  
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;

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## Accounting Policies

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(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 a 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.

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

# Mogale City Local Municipality

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## Accounting Policies

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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 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 (Financial Instruments)

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

## Accounting Policies

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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 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 Receivables from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Receivables 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:

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- 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:

- 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

# Mogale City Local Municipality

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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.

#### 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

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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.

#### 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.

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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 a 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

### 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 plan 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 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

# Mogale City Local Municipality

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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 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

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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 highly probable. 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.

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

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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.

#### 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

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made in the billing period when meters have been read. These adjustments are recognised as revenue in that 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 sanitation 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 prepaid 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 is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest at the prime lending rate as at the beginning of the financial year is charged on all consumer accounts or portions of accounts which are not settled/paid on due date.

### **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 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 offs, 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,

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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 which 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 considered as partial security for future payment of a consumer account. Consumer deposits are levied in-line with Mogale City's Credit Control policy and approved tariffs to consumers when conventionally metered services are initially connected. The split of the consumer deposit is 60/40, where 60% is attributable to electricity and 40% 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 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.

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

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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.

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 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

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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 and 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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>2. Inventories</b>		
Consumable stores	4,820,484	5,250,440
Water for distribution	774,999	623,992
	<b>5,595,483</b>	<b>5,874,432</b>

Council item number. K(ii)8(07/2023)

During the year under review inventory to the amount of R38 091,65 was written off during the annual stock taking, as some of the inventory items were declared obsolete.

Council item number K(ii)07(07/2023)

Inventory to the value of R30 115,03 was adjusted as part of shortages and surpluses that were identified during the stock count.

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

### 3. Receivables from non-exchange transactions

	2023			2022		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Statutory receivables: Property rates	600,149,981	(482,469,312)	117,680,669	545,292,241	(434,779,227)	110,513,014
Statutory receivables: Traffic fines and SARS	101,172,022	(48,971,233)	52,200,789	108,273,858	(51,794,778)	56,479,080
Credit balances transferred to payables from non exchange transactions	138,388,042	-	138,388,042	110,431,131	-	110,431,131
	<b>839,710,045</b>	<b>(531,440,545)</b>	<b>308,269,500</b>	<b>763,997,230</b>	<b>(486,574,005)</b>	<b>277,423,225</b>

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

Current (0 - 30 days)	(23,371,869)	(2,586,076)
31 - 60 days	13,099,367	11,466,605
61 - 90 days	20,134,076	16,717,975
91 - 120 day	15,416,704	11,309,073
+ 121 days	574,871,703	508,384,664
	<b>600,149,981</b>	<b>545,292,241</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

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

Current (0 - 30 days)	10,479,121	36,516,599
31 - 60 days	-	17,332,389
61 - 90 days	3,174,850	2,303,894
91 - 120 days	14,514,140	2,229,200
+ 121 days	73,003,911	49,891,776
	<b>101,172,022</b>	<b>108,273,858</b>

#### Credit balance transferred to creditors

Current (0 - 30 days)	8,506,046	11,326,605
31 - 60 days	4,947,975	3,346,612
61 - 90 days	3,908,176	3,166,083
91 - 120 days	4,352,920	3,698,001
+ 121 days	116,672,925	88,893,830
	<b>138,388,042</b>	<b>110,431,131</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	93,274,646	76,472,177
Statutory Receivables: Traffic Fines and SARS	52,200,789	56,479,080
	<b>145,475,435</b>	<b>132,951,257</b>

#### 2023

Receivables from non-exchange transactions past due date but not impaired - Age analysis	31-60 days	61 - 90 days	91 - 120 days	121+ days	Total
Statutory Receivables: Rates	17,766,400	7,516,372	4,791,350	63,200,524	93,274,646
Statutory Receivables: Traffic Fines and SARS	-	-	-	52,200,789	52,200,789
	<b>17,766,400</b>	<b>7,516,372</b>	<b>4,791,350</b>	<b>115,401,313</b>	<b>145,475,435</b>

#### 2022

Receivables from non-exchange transactions past due date but not impaired - Age analysis	31-60 days	61 - 90 days	91 - 120 days	121+ days	Total
Statutory Receivables: Rates	15,670,777	9,130,217	5,150,128	46,521,055	76,472,177
Statutory Receivables: Traffic Fines and SARS	-	-	-	56,479,080	56,479,080
	<b>15,670,777</b>	<b>9,130,217</b>	<b>5,150,128</b>	<b>103,000,135</b>	<b>132,951,257</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	486,574,006	446,418,970
Current year contribution	77,406,028	70,344,896
Bad debts	(32,539,489)	(30,189,860)
	<b>531,440,545</b>	<b>486,574,006</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 3. Receivables from non-exchange transactions (continued)

As at June 30, 2023, total receivables from non-exchange transactions were R 839,710,045 (2022: R 763,997,230 ).

The amount of the provision for impairment was R 531,440,545 as at June 30, 2023 (2022: R 486,574,005 ).The percentage of the provision against total receivables from non-exchange transactions was 63.29 % as at June 30, 2023 (2022: 63.69 %).

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023			2022		
<b>4. Receivables from exchange transactions</b>						
Receivables per category	Gross balance	2023 Allowance for impairment	Net balance	Gross balance	2022 Allowance for impairment	Net balance
Electricity	269,637,132	(216,765,719)	52,871,413	258,593,373	(206,184,901)	52,408,472
Water	356,876,794	(286,898,454)	69,978,340	326,665,546	(260,466,332)	66,199,214
Sundry debtors and loans	109,605,200	(61,546,150)	48,059,050	107,496,111	(59,016,497)	48,479,614
Sewerage	477,423,480	(383,807,691)	93,615,789	393,068,777	(313,430,267)	79,638,510
Refuse	382,527,656	(307,519,556)	75,008,100	343,787,693	(274,123,910)	69,663,783
Other( Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	693,706,290	(557,680,593)	136,025,697	573,438,591	(457,182,690)	116,255,901
Subtotal	2,289,776,552	(1,814,218,163)	475,558,389	2,003,050,091	(1,570,404,597)	432,645,494
Sundry staff leave, Personal interim advances & Insurance	1,204,991	-	1,204,991	421,379	-	421,379
Credit balances transfered to payables from exchange transactions	7,113,223	-	7,113,223	8,747,504	-	8,747,504
	8,318,214	-	8,318,214	9,168,883	-	9,168,883
	<b>2,298,094,766</b>	<b>(1,814,218,163)</b>	<b>483,876,603</b>	<b>2,012,218,974</b>	<b>(1,570,404,597)</b>	<b>441,814,377</b>

### Electricity

Current (0 -30 days)	62,246,896	62,642,113
31 - 60 days	7,339,669	15,619,153
61 - 90 days	20,638,144	21,468,727
91 - 120 days	6,078,057	9,160,313
121 - 365 days	173,334,366	149,703,067
	<b>269,637,132</b>	<b>258,593,373</b>

### Water

Current (0 -30 days)	10,887,882	37,141,552
31 - 60 days	7,520,674	7,512,924
61 - 90 days	16,218,790	13,817,552
91 - 120 days	12,806,460	(1,806,751)
121 - 365 days	309,442,988	270,000,269
	<b>356,876,794</b>	<b>326,665,546</b>

### Sewerage

Current (0 -30 days)	17,968,418	15,041,143
31 - 60 days	15,018,794	8,689,453
61 - 90 days	14,622,485	9,218,686
91 - 120 days	11,083,033	7,936,474
121 - 365 days	418,730,750	352,183,021
	<b>477,423,480</b>	<b>393,068,777</b>

### Refuse

Current (0 -30 days)	7,863,239	7,909,547
31 - 60 days	5,492,212	4,819,868
61 - 90 days	5,338,403	5,012,074
91 - 120 days	4,831,605	4,740,183
121 - 365 days	359,002,197	321,306,021
	<b>382,527,656</b>	<b>343,787,693</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Sundry Debtors and Loans</b>		
Current (0 -30 days)	53,668,294	53,305,499
31 - 60 days	791,909	3,214,788
61 - 90 days	328,471	498,663
91 - 120 days	1,052,608	566,583
121 - 365 days	53,763,917	49,910,578
	<b>109,605,199</b>	<b>107,496,111</b>
<b>Other (including Statutory Receivables)</b>		
Current (0 -30 days)	21,241,982	26,149,733
31 - 60 days	32,535,297	10,669,468
61 - 90 days	16,129,501	11,939,666
91 - 120 days	14,415,692	5,225,450
121 - 365 days	609,383,818	519,454,274
	<b>693,706,290</b>	<b>573,438,591</b>
<b>Credit balance transferred to creditors</b>		
Current (0 -30 days)	1,241,380	3,073,598
31 - 60 days	84,798	76,827
61 - 90 days	102,268	32,117
91 - 120 days	83,029	51,173
121 - 365 days	5,601,748	5,513,789
	<b>7,113,223</b>	<b>8,747,504</b>

Receivables from exchange transactions as at June 30, 2023, were R2,298,094,766 (2022: R2,012,218,974 ).

The provision for impairment was R 1,814,218,163 as at June 30, 2023 (2022: R 1,570,404,597 ). The percentage of the provision against total receivables from exchange transactions was 78.94 % as at June 30, 2023 (2022: 78.04 %)

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 4. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions past due but not impaired

Electricity	41,906,705	36,265,321
Water	55,465,396	45,812,739
Sewerage	74,200,629	55,128,427
Refuse	59,452,025	48,214,935
Other	107,815,064	80,412,664
Sundry debtors and loans	252,800	825,697
	<b>339,092,619</b>	<b>266,659,783</b>

#### 2023

Receivables from exchange transactions past due but not impaired - Age analysis	31 - 60 days	61 - 90 days	91 - 120 days	121+ days	Total
Electricity	7,982,141	3,376,977	2,152,672	28,394,915	41,906,705
Water	10,564,719	4,469,581	2,849,157	37,581,939	55,465,396
Sewerage	14,133,295	5,979,326	3,811,552	50,276,456	74,200,629
Refuse	11,324,069	4,790,836	3,053,943	40,283,177	59,452,025
Other	20,535,973	8,688,086	5,538,265	73,052,740	107,815,064
Sundry debtors and loans	144,186	50,949	57,665	-	252,800
	<b>64,684,383</b>	<b>27,355,755</b>	<b>17,463,254</b>	<b>229,589,227</b>	<b>339,092,619</b>

#### 2022

Receivables from exchange transactions past due but not impaired - Age analysis	31 - 60 days)	61 - 90 days	91 - 120 days	121+ days	Total
Electricity	7,431,536	4,329,813	2,442,340	22,061,632	36,265,321
Water	9,388,006	5,469,705	3,085,324	27,869,704	45,812,739
Sewerage	11,296,988	6,581,930	3,712,703	33,536,806	55,128,427
Refuse	9,880,267	5,756,509	3,247,104	29,331,055	48,214,935
Other	16,478,267	9,600,682	5,415,506	48,918,209	80,412,664
Sundry debtors and loans	658,082	105,888	61,727	-	825,697
	<b>55,133,146</b>	<b>31,844,527</b>	<b>17,964,704</b>	<b>161,717,406</b>	<b>266,659,783</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.

#### Reconciliation of allowance for impairment

Balance at beginning of the year	1,570,404,599	1,378,778,746
Contributions to provision	280,765,944	218,348,777
Bad debts	(36,952,383)	(26,722,924)
	<b>1,814,218,160</b>	<b>1,570,404,599</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	31,977	29,977
Bank balances	56,049,178	66,008,131
Short-term deposits	88,420,557	75,798,423
	<b>144,501,712</b>	<b>141,836,531</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
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# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
ABSA - Bank N Direct	558,433	-	-	558,433	-	-
ABSA - Bank K Primary	4,994,101	-	-	4,994,101	-	-
ABSA - Bank M Expenditure	99,851	-	-	99,851	-	-
ABSA - Bank T Traffic	1,246,186	-	-	1,246,186	-	-
ABSA - Bank P Grants	949,702	-	-	949,702	-	-
ABSA - Bank R CSR	33,118,892	-	-	33,118,892	-	-
ABSA - Bank S Salaries	46,421	-	-	46,421	-	-
ABSA - Bank L Licensing	1,000,000	-	-	1,000,000	-	-
Standard Bank - Bank I Salaries	14,488	18,186	597,678	14,488	18,357	597,845
Standard Bank - Bank H CSR	9,822	39,566,605	531,472	9,822	39,566,605	531,472
Standard Bank - Bank G Grants	9,822	10,000,000	36,453,700	9,822	10,000,000	36,453,700
Standard Bank - Bank F Traffic	30,318	26,174	229,119	30,323	22,973	228,922
Standard Bank - Bank E	10,717	200,000	115,718	10,717	200,000	115,718
Expenditure						
Standard Bank - Bank D Primary	48,047	1,659,493	1,161,201	48,309	217,751	92,371
Standard Bank - Bank C Direct	13,917,410	15,964,354	18,383,821	13,911,019	15,935,362	18,376,642
Standard Bank - Bank J	1,294	46,979	48,319	1,183	47,083	48,419
Licensing						
Call Accounts	88,420,556	75,798,423	8,449,361	88,420,556	75,798,423	8,449,361
Petty Cash	31,977	29,977	29,977	31,977	29,977	29,977
<b>Total</b>	<b>144,508,037</b>	<b>143,310,191</b>	<b>66,000,366</b>	<b>144,501,802</b>	<b>141,836,531</b>	<b>64,924,427</b>

#### 2023

The differences between bank statement balances and cash book balances amounting to R6,235 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 30 June, in line with proper accounting procedures. Transactions attributing to the above difference of R6,235 are deposits processed via Cash in transit Companies (for Auto safes) and bank charges.

#### 2022

The differences between bank statement balances and cash book balances amounting to R 1,473,660 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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 6. Living resources

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Water Buck	319,557	(77,826)	241,731	537,668	(101,074)	436,594
Springbok	552,173	(295,941)	256,232	613,789	(267,586)	346,203
Red Hartebeest	584,567	(182,914)	401,653	437,552	(146,378)	291,174
Ostrich	26,550	(7,540)	19,010	31,861	(8,252)	23,609
Impala	231,306	(96,206)	135,100	153,746	(76,930)	76,816
Giraffe	83,312	(45,507)	37,805	83,312	(42,303)	41,009
Gemsbuck	23,910	(10,265)	13,645	31,880	(12,093)	19,787
Eland	559,129	(96,623)	462,506	447,732	(74,257)	373,475
Bles Buck	646,202	(283,994)	362,208	567,837	(225,248)	342,589
Muscovey/Makoue	1,333	(1,251)	82	1,333	(918)	415
Black Wildebeest	1,266,502	(461,225)	805,277	1,072,462	(382,069)	690,393
Hippo	60,007	(22,834)	37,173	60,007	(21,501)	38,506
Zebra	141,719	(44,961)	96,758	114,515	(38,519)	75,996
Cattle	235,950	(165,289)	70,661	235,950	(141,694)	94,256
Sheep	91,014	(59,794)	31,220	91,669	(48,765)	42,904
Goat	1,450	(1,450)	-	1,450	(1,450)	-
Lion (fair values cannot be reliably measured)	134,853	(42,364)	92,489	404,559	(110,911)	293,648
<b>Total</b>	<b>4,959,534</b>	<b>(1,895,984)</b>	<b>3,063,550</b>	<b>4,887,322</b>	<b>(1,699,948)</b>	<b>3,187,374</b>

### Reconciliation of living resources - 2023

	Opening balance	Write Off	Accumulated Depreciation write off	Transfer in	Depreciation Additions	Total	
Water Buck	436,594	(218,110)	53,117	(29,870)	-	241,731	
Springbok	346,203	(61,616)	33,024	(61,379)	-	256,232	
Red Hartebeest	291,174	-	-	(27,347)	147,015	401,653	
Ostrich	23,609	(5,310)	1,508	(797)	-	19,010	
Impala	76,816	-	-	(12,812)	77,560	135,100	
Giraffe	41,009	-	-	(3,204)	-	37,805	
Gemsbuck	19,787	(7,970)	3,422	(1,594)	-	13,645	
Eland	373,475	-	-	(17,909)	111,397	462,506	
Bles Buck	342,589	-	-	(51,622)	78,365	362,208	
Muscovey/Makoue	415	-	-	(333)	-	82	
Black Wildebeest	690,393	-	-	(67,029)	194,040	805,277	
Hippo	38,506	-	-	(1,333)	-	37,173	
Zebra	75,996	-	-	(5,205)	27,204	96,758	
Cattle	94,256	-	-	(23,595)	-	70,661	
Sheep	42,904	(655)	430	(11,459)	-	31,220	
Lion (fair values cannot be reliably measured)	293,648	(269,706)	84,729	(16,182)	-	92,489	
<b>Total</b>	<b>3,187,374</b>	<b>(563,367)</b>	<b>176,230</b>	<b>(331,670)</b>	<b>635,581</b>	<b>(40,598)</b>	<b>3,063,550</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 6. Living resources (continued)

#### 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 Hartebeest	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/Wildebeest	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 (fair values cannot be reliably measured)	298,705	-	-	-	(5,057)	293,648
	<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>

### 7. Operating lease assets and liabilities

Current assets	49,297	52,983
Non-current liabilities	(88)	-
Current liabilities	(2,728)	-
	<b>46,481</b>	<b>52,983</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	55,155,023	42,349,617
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VAT is payable on the cash basis which means that Output VAT is declared to SARS only when payment is received from debtors and Input VAT is claimed only when the municipality has paid its creditors. All VAT returns have been submitted by due date throughout the financial year.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	668,196,700	-	668,196,700	657,844,328	-	657,844,328

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	657,844,328	10,352,372	668,196,700

#### Reconciliation of investment property - 2022

	Opening balance	Additions	Derecognition	Fair value adjustments	Total
Investment property	646,628,824	6,647,000	(17,344,645)	21,913,149	657,844,328

#### 2023

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

#### 2022

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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	39,361,229	-	39,361,229	39,361,229	-	39,361,229
Buildings	618,081,712	(395,989,041)	222,092,671	571,810,679	(388,422,736)	183,387,943
Other Assets	420,942,368	(313,466,472)	107,475,896	377,689,169	(285,575,845)	92,113,324
Infrastructure Assets	9,804,314,942	(5,659,552,924)	4,144,762,018	9,666,709,476	(5,484,170,880)	4,182,538,596
Community Assets	1,973,380,321	(633,309,442)	1,340,070,879	1,846,480,898	(578,029,807)	1,268,451,091
Leased Assets	2,913,315	(2,815,968)	97,347	2,913,315	(2,805,780)	107,535
<b>Total</b>	<b>12,858,993,887</b>	<b>(7,005,133,847)</b>	<b>5,853,860,040</b>	<b>12,504,964,766</b>	<b>(6,739,005,048)</b>	<b>5,765,959,718</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions (Capitalised costs)	Derecognition	Depreciation	Impairment	Total
Land	39,361,229	-	-	-	-	39,361,229
Buildings	183,387,943	47,296,300	(1,025,268)	(7,528,650)	(37,654)	222,092,671
Other Assets	92,113,324	45,603,440	(2,350,241)	(27,890,627)	-	107,475,896
Infrastructure Assets	4,182,538,596	142,998,210	(5,984,374)	(173,356,181)	(1,434,233)	4,144,762,018
Community Assets	1,268,451,091	126,974,502	(75,079)	(46,105,919)	(9,173,716)	1,340,070,879
Leased Assets	107,535	-	-	(10,188)	-	97,347
	<b>5,765,959,718</b>	<b>362,872,452</b>	<b>(9,434,962)</b>	<b>(254,891,565)</b>	<b>(10,645,603)</b>	<b>5,853,860,040</b>

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

#### Repairs and maintenance

All repairs and maintenance for the 2023 financial year amounting to R 235,901,595 were incurred in respect of property, plant and equipment.

#### Repairs and maintenance per asset class - 2023

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	100,526,062	39,884,857	367,829	19,389,871	160,168,619
Community Assets	54,649,646	5,333,327	330,172	1,597,997	61,911,142
Other Assets	10,653,680	2,637,015	148	530,991	13,821,834
	<b>165,829,388</b>	<b>47,855,199</b>	<b>698,149</b>	<b>21,518,859</b>	<b>235,901,595</b>

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

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure Assets	91,363,994	148,436,662	217,244	14,196,864	254,214,764
Community Assets	49,644,007	6,568,572	82,126	2,229,694	58,524,399
Other Assets	10,328,594	4,811,976	-	200,604	15,341,174
	<b>151,336,595</b>	<b>159,817,210</b>	<b>299,370</b>	<b>16,627,162</b>	<b>328,080,337</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## 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	Total
Land	38,761,923	599,306	-	-	-	39,361,229
Buildings	192,952,858	-	(3,223)	(7,615,171)	(1,946,521)	183,387,943
Other Assets	122,394,101	7,160,030	(14,706,806)	(22,734,001)	-	92,113,324
Infrastructure Assets	4,275,004,342	98,634,090	(6,683,156)	(176,587,990)	(7,828,690)	4,182,538,596
Community Assets	1,106,314,584	200,247,275	(3,067,732)	(25,862,423)	(9,180,613)	1,268,451,091
Leased assets	117,723	-	-	(10,188)	-	107,535
	<b>5,735,545,531</b>	<b>306,640,701</b>	<b>(24,460,917)</b>	<b>(232,809,773)</b>	<b>(18,955,824)</b>	<b>5,765,959,718</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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

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

2023	Capital Cost Opening	Capital Cost	Impairment	Transfer from Capex to Opex	Capitalised	Closing Cost
<b>Infrastructure Assets</b>						
Building Property	-	47,296,300	-	-	-	47,296,300
Community Assets	469,328,016	124,916,128	-	-	(131,426,311)	462,817,833
Electricity Network	13,115,644	5,748,410	-	-	(17,129,272)	1,734,782
Roads and Stormwater Network	59,348,503	21,528,180	-	-	(37,629,521)	43,247,162
Sanitation Network	23,167,415	24,918,990	-	-	-	48,086,405
Water Supply Network	5,504,835	43,557,759	-	-	(17,470,802)	31,591,792
Subtotal	570,464,413	267,965,767	-	-	(203,655,906)	634,774,274
<b>Other Assets</b>						
Computer Equipment	-	2,125,860	-	(13,436)	(2,112,424)	-
Furniture and Fixtures	-	1,792,974	-	(235,592)	(1,557,382)	-
Library Books	-	3,676,896	-	-	-	3,676,896
Motor Vehicles	-	38,189,725	-	-	(38,189,725)	-
Office Equipment	-	9,235	-	-	(9,235)	-
Plant and Equipment	-	57,777	-	-	(57,777)	-
Subtotal	-	45,852,467	-	(249,028)	(41,926,543)	3,676,896
	<b>570,464,413</b>	<b>313,818,234</b>	<b>-</b>	<b>(249,028)</b>	<b>(245,582,449)</b>	<b>638,451,170</b>
<b>2022</b>						
2022	Capital Cost Opening	Capital Cost	Impairment	Transfer from Capex to Opex	Capitalised	Closing Cost
<b>Infrastructure Assets</b>						
Building Property	21,315	-	-	(21,315)	-	-
Community Assets	409,604,443	148,651,802	(546,419)	(4,257,640)	(84,124,170)	469,328,016
Electricity Network	24,720,052	16,223,800	(1,995,712)	(125,541)	(25,706,955)	13,115,644
Roads and Stormwater Network	3,395,123	66,732,026	(96,479)	-	(10,682,167)	59,348,503
Sanitation Network	6,136,736	23,449,081	(360,264)	(362)	(6,057,777)	23,167,414
Water Supply Network	358,269	32,819,391	(358,268)	(1)	(27,314,556)	5,504,835
Subtotal	444,235,938	287,876,100	(3,357,142)	(4,404,859)	(153,885,625)	570,464,412
<b>Other Assets</b>						
Computer Equipment	43,821	4,563,182	(43,821)	-	(4,563,182)	-
Furniture and Fixtures	45,365	1,154,201	-	(63,837)	(1,135,729)	-
Plant and Equipment	-	465,345	-	-	(465,345)	-
Intangible Assets	-	3,356,348	-	(225,914)	(3,130,434)	-
Subtotal	89,186	9,539,076	(43,821)	(289,751)	(9,294,690)	-
	<b>444,325,124</b>	<b>297,415,176</b>	<b>(3,400,963)</b>	<b>(4,694,610)</b>	<b>(163,180,315)</b>	<b>570,464,412</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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

Work in progress with no movement	Capital Cost Opening	Capital Cost Year	Closing Cost
<b>Asset Class</b>			
Community Assets	46,668,167	-	46,668,167
<b>Infrastructure Assets</b>			
Sanitation Network	5,776,111	-	5,776,111
Water Supply Network	5,504,835	-	5,504,835
	<b>57,949,113</b>	<b>-</b>	<b>57,949,113</b>

#### Community Assets

The Dr Montlana Housing Development is a housing development that aims to deliver 253 households.

The Dr Sefularo Housing Development is an upgrading of informal settlement programme project that aims to deliver basic services 190 households for the corresponding Dr Sefularo settlement.

Leratong housing development which aims to improve the living conditions of the residents of Mogale City and to provide basic services.

Although some progress was achieved, the implementation of the project was put on hold due to numerous challenges, the biggest being insufficient availability of budget.

#### Sanitation Network

Dr Montlana Housing Development and Dr Sefularo Housing Development

The sanitation infrastructure for the project the municipality appointed consultants and contractors for the planning, designs, construction and commissioning of the required water and sanitation infrastructure.

Although some progress was achieved, the implementation of the project was put on hold due to numerous challenges, the biggest being insufficient availability of budget.

#### Water Supply Network

Dr Montlana Housing Development and Dr Sefularo Housing Development

The water infrastructure for the project the municipality appointed consultants and contractors for the planning, designs, construction and commissioning of the required water and sanitation infrastructure.

Although some progress was achieved, the implementation of the project was put on hold due to numerous challenges, the biggest being insufficient availability of budget.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	44,482,502	(42,186,343)	2,296,159	44,482,502	(40,719,783)	3,762,719

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	3,762,719	(1,466,560)	2,296,159

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions (Capitalised costs)	Amortisation	Total
Computer software	3,247,038	3,130,434	(2,614,753)	3,762,719

### 12. Heritage assets

	2023			2022		
	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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 12. Heritage assets (continued)

#### Reconciliation of heritage assets 2023

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

#### Reconciliation of heritage assets 2022

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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>13. Financial assets</b>		
<b>Residual interest at cost</b>		
Listed shares	569,496	516,011
Listed shares (9760 ordinary shares) These listed shares held by Sanlam Pty Ltd and were valued at a market value of R58.35 (2022: R52.87) per share (level 1)		
<b>Non-current assets</b>		
Residual interest at cost	569,496	516,011
<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 ordinary shares)	569,496	516,011
<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	(193,598,904)	(189,899,000)
Long service awards	(44,664,090)	(51,780,000)
Ex-gratia benefits	(166,659)	(315,600)
	<b>(238,429,653)</b>	<b>(241,994,600)</b>
Non-current liabilities	(225,341,582)	(227,447,000)
Current liabilities	(13,088,071)	(14,547,600)
	<b>(238,429,653)</b>	<b>(241,994,600)</b>

The employee benefit obligations were calculated by One Pangaea expertise and solutions from employee information compiled and submitted by the municipality.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<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	189,899,000	183,921,582
Net expense recognised in the statement of financial performance	3,699,904	5,977,418
	<b>193,598,904</b>	<b>189,899,000</b>
<b>Changes in the present value of the defined benefit obligation are as follows:Long service award</b>		
Opening balance	51,780,000	61,024,849
Net expense recognised in the statement of financial performance	(7,115,910)	(9,244,849)
	<b>44,664,090</b>	<b>51,780,000</b>
<b>Changes in the present value of the defined benefit obligation are as follows:Ex-gratia benefits</b>		
Opening balance	315,600	677,836
Net expense recognised in the statement of financial performance	(148,941)	(362,236)
	<b>166,659</b>	<b>315,600</b>
<b>Net expense recognised in the statement of financial performance:Medical aid subsidy</b>		
Current service cost	8,653,000	8,686,340
Past service cost	(7,118,516)	(7,019,001)
Interest cost	22,014,000	19,568,192
Actuarial (gains) losses	(19,848,580)	(15,258,113)
	<b>3,699,904</b>	<b>5,977,418</b>
<b>Net expense recognised in the statement of financial performance:Long service award</b>		
Current service cost	4,661,000	4,503,008
Past service cost	(10,797,379)	(9,758,891)
Interest cost	5,253,000	4,463,088
Actuarial (gains) losses	(6,232,531)	(8,452,054)
	<b>(7,115,910)</b>	<b>(9,244,849)</b>
<b>Net expense recognised in the statement of financial performance:Ex-gratia benefits</b>		
Past service cost	(142,372)	(385,104)
Interest cost	10,800	20,149
Actuarial (gains) losses	(17,369)	2,719
	<b>(148,941)</b>	<b>(362,236)</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 14. Employee benefit obligations (continued)

#### Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	12.97 %	11.81 %
Health care cost inflation	8.52 %	8.43 %
Net discount rate	4.10 %	3.12 %

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2022 the duration of liabilities was 13.05 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 12.97% per annum, and the yield on the inflation-linked bonds of a similar term was about 5.09% per annum, implying an underlying expectation of inflation of 7.02% per annum  $([1 + 12.97\% - 0.5\%] / [1 + 5.09\%] - 1)$ .

A healthcare cost inflation rate of 8.52% was assumed. This is 1.50% over the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.10% per annum  $([1 + 12.97\%] / [1 + 8.52\%] - 1)$ . This year's valuation basis is therefore weaker than the previous year's basis from a discount rate perspective.

#### DEMOGRAPHIC AND DECREMENT ASSUMPTIONS

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age (to take account for ill-health and early retirement decrements)	62	-
Employment age used for past service period	Actual service entry ages	
The age difference between spouses	5 years	Actual ages used
Proportion married	65% at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90) - 1 adjusted by 1% since 2010
Eligible in-service non-members joining a scheme before retirement	10%	-

#### WITHDRAWAL RATES

The same withdrawal rates assumptions used by the previous actuary were used to be consistent between valuations.

For example at the stated age	Withdrawal rates	
	Males	Females
20	9.0%	9.0%
25	8.0%	8.0%
30	6.0%	6.0%
35	5.0%	5.0%
40	5.0%	5.0%
45	4.0%	4.0%
50	3.0%	3.0%
55	0.0%	0.0%
60+	0.0%	0.0%

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### CONTINUATION PERCENTAGES

The actuaries assumed the continuation of the post-employment health care subsidy would be at 100% and 10% of active employees (or their surviving dependants) for medical aid members and non-members respectively. They also assumed that the medical aid non-members would opt for the SAMWUMED B plan should they choose to continue with the post-employment health subsidy.

#### SENSITIVITY ANALYSIS

The accrued liability is a function of the valuation assumptions, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

#### MEDICAL INFLATION AND DISCOUNT RATE

The effect of a one percent increase and decrease in the medical inflation and discount rates is as follows:

	1% decrease R's	30 June 2023 Valuation basis R's	1% increase R's
<b>Medical Inflation Rate</b>			
Employer's accrued liability	170,939,169	193,598,904	220,818,970
Employer's current service cost	6,341,197	7,502,874	8,941,003
Employer's interest cost	22,137,856	24,950,032	28,606,831
<b>Discount Rate</b>			
Employer's accrued liability	219,571,020	193,598,904	172,208,965
Employer's current service cost	8,810,573	7,502,874	6,449,589
Employer's interest cost	25,873,005	24,950,032	24,021,658

As per the table above, a 1% increase in the medical inflation rate results in a 14.06% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 11.70% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 11.05% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 13.42% increase in the accrued liability.

#### POST-RETIREMENT MORTALITY, AVERAGE RETIREMENT AGE AND CONTINUATION OF MEMBERSHIP AT RETIREMENT

The table that follows shows the impact of changes in the post-retirement mortality, average retirement age and continuation of membership at retirement assumptions.

The effect of post-retirement mortality is illustrated by assuming that an individual is one year younger than they are.

The sensitivity of the valuation results on the average retirement age is shown by reducing the average retirement age from 62 years to 61 years.

Finally, the effect of continuation of membership to a medical scheme at retirement is highlighted by changing the continuation assumption from 100% to 90%.

Post-retirement mortality	30 June 2023 Valuation basis R's PA (90) -2	
Employer's accrued liability	193,598,904	199,218,152
Employer's current service cost	7,502,874	7,688,762
Employer's interest cost	24,950,032	25,391,006
Average retirement age	30 June 2023 Valuation basis R's -1 year	
Employer's accrued liability	193,598,904	206,784,158
Employer's current service cost	7,502,874	7,834,200
Employer's interest cost	24,950,032	26,660,160
Continuation of membership at retirement	30 June 2023 Valuation basis R's -10%	
Employer's accrued liability	193,598,904	179,851,713
Employer's current service cost	7,502,874	7,502,874

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 14. Employee benefit obligations (continued)

Employer's interest cost	24,950,032	24,950,032
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The above table highlights the effects of lighter mortality, earlier average retirement age, and less active employees continuing with the medical subsidy in retirement.

The effect of lighter mortality is a 2.90% increase in accrued liability.

The effect of bringing the retirement age early by a year would result in a 6.81% increase in the accrued liability.

Changing the continuation of membership to a medical scheme at retirement to a lower amount of 90% resulted in a 7.10% lower accrued liability.

### Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	10.47 %	10.87 %
Salary increase rate	6.26 %	7.33 %
Net discount rate	3.96 %	3.30 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 5.57 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.47% per annum, and the yield on inflation-linked bonds of a similar term was about 4.47% per annum. This implies an underlying expectation of inflation of 5.26% per annum  $([1 + 10.47\% - 0.5\%] / [1 + 4.47\%] - 1)$ .

One Pangaea assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.26% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. Thus assumed a net discount factor of 3.96% per annum  $([1 + 10.47\%] / [1 + 6.26\%] - 1)$ .

### PROMOTIONAL SALARY INCREASE RATES

In addition to the normal salary inflation rate, we have assumed promotional salary increases consistent with the prior actuary.

Age Band	Promotional Increase Rate
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
>45	-

### DEMOGRAPHIC AND DECREMENT ASSUMPTION

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	30 June 2022	30 June 2023
Normal retirement age (years)	65	65
Average retirement age (years) <sup>1</sup>	62	62
Mortality	SA85-90	SA85-90

Notes:

1. The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for early retirement.

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	9%	9%
25	8%	8%
30	6%	6%

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Employee benefit obligations (continued)</b>		
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	-	-

### SENSITIVITY ANALYSIS

The accrued liability is a function of the valuation assumption, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mogale City. The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

### SALARY INCREASE AND DISCOUNT RATE

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determines the bonuses payable) will be 3.96% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in salary inflation and discount rates is as follows:

	1% decrease R's	30 June 2023 Valuation basis R's	1% increase R's
<b>Salary Increase Rate</b>			
Employer's accrued liability	42,348,318	44,664,090	47,184,597
Employer's current service cost	2,834,831	3,011,152	3,204,892
Employer's interest cost	4,119,221	4,361,682	4,625,579
<b>Discount Rate</b>			
Employer's accrued liability	47,107,557	44,664,090	42,452,311
Employer's current service cost	3,198,943	3,011,152	2,842,713
Employer's interest cost	4,175,341	4,361,682	4,525,952

As per the table above, a 1% increase in the salary increase rate results in a 5.64% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.18% decrease in the accrued liability. Inversely, a 1% increase in the discount rate results in a 4.95% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 5.47% increase in the accrued liability.

### AVERAGE RETIREMENT AGE

In the table below highlights the effect of adjusting the average retirement age by two (2) years upwards and downwards from 62 years.

	2-year decrease R's	30 June 2023 Valuation basis R's	2-year increase R's
Employer's accrued liability	38,885,033	44,664,090	50,857,995
Employer's current service cost	2,704,277	3,011,152	3,333,402
Employer's interest cost	3,790,102	4,361,682	5,002,104

The above table highlights the effects of a two (2) year decrease and increase in the average retirement age assumptions as at 30 June 2023. The adjustment would result in a 13.87% increase and 12.94% decrease in the accrued liability respectively.

### Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	9.53 %	6.19 %
Lumpsum increase rate	5.76 %	5.77 %

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Employee benefit obligations (continued)</b>		
Net discount rate	3.56 %	0.40 %

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2022 the duration of liabilities was 0.49 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 9.53% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.08% per annum, implying an underlying expectation of inflation of 4.76% per annum  $([1 + 9.53\% - 0.5\%] / [1 + 4.08\%] - 1)$ . The lumpsum increase was assumed to equal the long term CPI rate plus 1.00%, i.e. 5.76%.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.56% per annum  $([1 + 9.53\%] / [1 + 5.76\%] - 1)$ .

### DEMOGRAPHIC AND DECREMENT ASSUMPTIONS

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Aspect	Ex-Gratia recipients
Average retirement age (years)	61.55
Mortality Table	SA 85-90

### SENSITIVITY ANALYSIS

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mogale City.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

### SALARY INCREASE AND DISCOUNT RATE

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.56% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation and discount rates is as follows:

	1% decrease R's	30 June 2023 Valuation basis R's	1% increase R's
<b>Salary Increase Rate</b>			
Employer's accrued liability	165,083	166,659	168,235
Employer's current service - cost	-	-	-
Employer's interest cost	6,851	15,883	6,982
<b>Discount Rate</b>			
Employer's accrued liability	168,194	166,659	165,151
Employer's current service - cost	-	-	-
Employer's interest cost	6,980	15,883	6,854

As per the table above, a 1% increase in the salary increase rate results in a 0.95% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 0.95% decrease in the accrued liability. Inversely, a 1% increase in the discount rate results in a 0.90% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 0.92% increase in the accrued liability.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 14. Employee benefit obligations (continued)

#### AVERAGE RETIREMENT AGE

In the table below we highlight the effect of adjusting the average retirement age by one (1) year downwards from 62 years.

	30 June 2023 Valuation basis R's	1 year decrease R's
Employer's accrued liability	166,659	167,498
Employer's current service cost	-	-
Employer's expense cost	15,883	6,951

The above table highlights the effects of a one (1) decrease in the average retirement age assumption as at 30 June 2023. The adjustment would result in a 0.50% in the accrued liability respectively.

### 15. Finance lease obligation

#### Minimum lease payments due

- within one year	126,997	225,609
- in second to fifth year inclusive	648,332	589,392
- later than five years	1,095,595	1,281,532
	<u>1,870,924</u>	<u>2,096,533</u>
less: future finance charges	(920,701)	(1,053,121)
<b>Present value of minimum lease payments</b>	<b><u>950,223</u></b>	<b><u>1,043,412</u></b>

#### Present value of minimum lease payments due

- within one year	(1,510)	93,189
- in second to fifth year inclusive	162,508	87,305
- later than five years	789,225	862,918
	<u>950,223</u>	<u>1,043,412</u>

Non-current liabilities	948,713	950,224
Current liabilities	1,510	93,189
	<u>950,223</u>	<u>1,043,413</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.

#### Assets acquired through finance leases - 2023

	Carrying value at the beginning of the year	Depreciation	Carrying value at the end of the year
Buildings	107,536	(10,188)	97,348
Vehicles	67,958	(67,958)	-
	<u>175,494</u>	<u>(78,146)</u>	<u>97,348</u>

#### Assets acquired through finance leases - 2022

	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>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>16. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Integrated Urban Development Grant (IUDG)	(1)	-
West Rand District Municipality (WRDM)	733,642	995,049
Human Settlement Development Grant (HSDG)	13,336,343	-
Water Services Infrastructure Grant (WSIG)	-	3,588,261
Department of Sports, Arts, Culture and Recreation (SRAC)	1,624,803	2,268,066
	<b>15,694,787</b>	<b>6,851,376</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 - 2023

	Opening Balance	Additions	Change in discount factor	Interest charge	Total
Luipaardsvlei Landfill site rehabilitation	94,377,227	-	(8,996,425)	9,068,235	94,449,037
Magalies Landfill Site rehabilitation	3,848,300	-	(441,246)	360,143	3,767,197
Provision for performance bonuses	-	1,720,308	-	-	1,720,308
	<b>98,225,527</b>	<b>1,720,308</b>	<b>(9,437,671)</b>	<b>9,428,378</b>	<b>99,936,542</b>

#### 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>

Non-current liabilities	97,894,817	97,936,220
Current liabilities	2,041,724	289,306
	<b>99,936,541</b>	<b>98,225,526</b>

In terms of the review performed by Environmental & Sustainability Solutions CC, the provision required for restoration of the existing landfill sites is as follows:

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023                      2022

### 17. Provisions (continued)

1. The Luipaardsvlei Landfill Site expected remaining life of the landfill is estimated at 4 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 June 30, 2023 are as follows:

#### Provision

Luipaardsvlei Landfill Site	94,449,037	94,377,227
Magalies Landfill Site	3,767,197	3,848,300
	<b>98,216,234</b>	<b>98,225,527</b>

### 18. Payables from non-exchange transactions

Credit balance transferred from receivables from non-exchange transactions	138,388,042	110,431,131
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### 19. Payables from exchange transactions

Trade payables	984,538,685	983,451,632
Credit balance transferred from receivables from exchange transactions	7,113,223	8,747,504
Current lease liability	8,055,556	9,022,222
Unpresented payments	45,811,879	45,402,146
Third party payments	850,387	1,168,579
Unknown Deposits	21,006,317	20,696,705
Retention	55,239,576	48,777,194
Overtime accrual	3,052,995	3,155,401
Leave accrual	89,019,523	88,535,464
13th cheque accrual	17,474,451	16,973,273
Salary accrual	1,764,365	466,917
	<b>1,233,926,957</b>	<b>1,226,397,037</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>20. Financial liabilities</b>		
<b>At amortised cost</b>		
NEDBANK	85,096,463	99,695,590
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	103,286,105	119,382,642
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. This loan will be fully paid on 30 November 2029.		
<b>Financial liabilities</b>	<b>188,382,568</b>	<b>219,078,232</b>
<b>2023</b>		
During the year under review Mogale City did not source new loan financing.		
<b>2022</b>		
During the previous financial year, Mogale City did not source loan financing.		
<b>Non-current liabilities</b>		
At amortised cost	139,659,990	188,382,569
<b>Current liabilities</b>		
At amortised cost	48,722,579	30,695,663
<b>21. Sundry deposits</b>		
Sundry deposits	12,838,245	12,815,095
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
<b>22. Consumer deposits and guarantees</b>		
Electricity	44,301,195	40,584,858
Water	25,655,018	26,677,432
	<b>69,956,213</b>	<b>67,262,290</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>23. Financial instruments disclosure</b>			
<b>Categories of financial instruments</b>			
<b>2023</b>			
<b>Financial assets</b>			
	<b>At fair value</b>	<b>At amortised cost</b>	<b>Total</b>
Receivables from non-exchange transactions (refer to note 3)	-	308,269,500	308,269,500
Receivables from exchange transactions (refer to note 4)	-	483,876,603	483,876,603
Cash and cash equivalents (refer to note 5)	-	56,081,155	56,081,155
Call accounts (refer to note 5)	-	88,420,557	88,420,557
Financial assets (refer to note 13)	569,496	-	569,496
	<b>569,496</b>	<b>936,647,815</b>	<b>937,217,311</b>
<b>Financial liabilities</b>			
		<b>At amortised cost</b>	<b>Total</b>
Current and non-current finance lease obligation (refer to note 15)		950,223	950,223
Payables from non-exchange transactions (refer to note 18)		138,388,042	138,388,042
Payables from exchange transactions (refer to note 19)		1,233,926,957	1,233,926,957
Current financial liabilities (refer to note 20)		48,722,579	48,722,579
Non-current financial liabilities (refer to note 20)		139,659,990	139,659,990
Sundry deposits (refer to note 21)		12,838,245	12,838,245
Consumer deposits and guarantees (refer to note 22)		69,956,213	69,956,213
		<b>1,644,442,249</b>	<b>1,644,442,249</b>
<b>2022</b>			
<b>Financial assets</b>			
	<b>At fair value</b>	<b>At amortised cost</b>	<b>Total</b>
Receivables from non-exchange transactions (refer to note 3)	-	277,423,225	277,423,225
Receivables from exchange transactions (refer to note 4)	-	441,814,377	441,814,377
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>861,074,133</b>	<b>861,590,144</b>
<b>Financial liabilities</b>			
		<b>At amortised cost</b>	<b>Total</b>
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)		1,226,397,037	1,226,397,037
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 and guarantees (refer to note 22)		67,262,290	67,262,290
		<b>1,637,027,198</b>	<b>1,637,027,198</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>24. Service charges</b>		
Sale of electricity	1,150,357,811	1,163,818,626
Sale of water	437,152,858	414,347,161
Sewerage and sanitation charges	288,135,174	252,034,300
Refuse removal	138,544,161	132,969,328
Less: Income foregone Rebates & Indigent subsidies)	(36,744,691)	(37,965,862)
	<b>1,977,445,313</b>	<b>1,925,203,553</b>
<b>25. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	7,120,676	4,782,839
Rental of laps and carports	54,994	77,192
Rental of halls	340,827	206,212
Other rentals	46,941	61,711
	<b>7,563,438</b>	<b>5,127,954</b>
<b>26. Income from agency services</b>		
Agency Services	23,220,916	22,305,292
Income from agency services is recognised on a monthly basis once the income collected on behalf of the Provincial Department of Transport (DOT) has been quantified. The income recognised is for commission receivable in terms of the agreement between MCLM and DOT.		
<b>27. Operational revenue from exchange transactions</b>		
Administration fees	63,460	141,298
Advertising	290,584	230,023
Application fees	605,422	880,898
Building plan fees	5,292,252	6,470,656
Bulk service connections	6,325,538	2,328,797
Cemetery fees	2,597,857	2,880,757
Contributions Developers	2,771,179	2,333,446
Insurance claims	1,613,355	1,691,683
Other income	2,152,689	16,200,176
Service connections	11,172,954	11,927,318
Training grant	1,195,237	334,974
	<b>34,080,527</b>	<b>45,420,026</b>
<b>28. Interest received - Outstanding debtors</b>		
Interest received	87,748,396	50,780,655

Interest is charged to debtors whose accounts have not been paid by due date in line with the Credit Control policy.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Investment revenue</b>		
<b>Investment revenue - Dividends revenue</b>		
Dividends	28,109	26,079
<b>Investment revenue - Interest revenue</b>		
Interest on investment	6,606,690	1,100,486
Interest on favourable balances	848,053	1,488,712
	<b>7,454,743</b>	<b>2,589,198</b>
<b>Total revenue from investments</b>	<b>7,482,852</b>	<b>2,615,277</b>
<b>30. Statutory income: Property rates</b>		
<b>Rates received</b>		
Residential	585,635,921	528,813,218
Commercial & Educational Institutions	340,730,415	325,003,420
Small holdings and farms	36,410,125	34,480,613
Less: Income foregone (Rebates & subsidies)	(348,654,224)	(339,669,514)
	<b>614,122,237</b>	<b>548,627,737</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Transfers and subsidies</b>		
<b>Operating grants</b>		
Equitable share	539,525,000	471,790,000
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	10,437,050	10,172,694
Expanded public works programme (EPWP)	8,123,000	7,702,000
COGTA - GRAP 17	-	1,000,000
WRDM: HIV/AIDS Grant	5,305,088	5,096,311
Sport, Arts, Culture and Recreation (SRAC)	16,130,000	18,036,643
Finance Management Grant (FMG)	1,544,068	1,440,000
Expanded Public Works Programme (EPWP) COGTA	540,000	537,000
	<b>581,604,206</b>	<b>515,774,648</b>
<b>Capital grants</b>		
Integrated National Electrification Programme (INEP)	4,600,000	18,512,998
Water Services Infrastructure grant (WSIG)	48,748,261	51,411,739
Municipal Infrastructure Grant (MIG)/ Integrated Urban Development Grant (IUDG)	133,793,949	132,801,305
Human Settlement Development Grant (HSDG)	86,701,881	86,076,203
Property Master and Valuation Management System - COGTA	-	3,600,000
Sport, Arts, Culture and Recreation (SRAC)	6,313,263	2,875,798
Neighbourhood Development Partnership Grant (NDPG)	28,711,000	-
Finance Management Grant (FMG)	105,932	110,000
	<b>308,974,286</b>	<b>295,388,043</b>
	<b>890,578,492</b>	<b>811,162,691</b>
<b>Integrated Urban Development grant (IUDG)</b>		
Current-year receipts	144,231,000	142,974,000
Conditions met - transferred to revenue	(144,231,000)	(142,974,000)
	-	-
<b>Neighbourhood Development Partnership grant (NDPG)</b>		
Balance unspent at beginning of year	-	274
Current-year receipts	28,711,000	-
Conditions met - transferred to revenue	(28,711,000)	-
Transfers/Adjustments	-	(274)
	-	-
<b>Department of Human Settlements</b>		
Balance unspent at beginning of year	-	31,747,907
Current-year receipts	100,038,224	54,329,296
Conditions met - transferred to revenue	(86,701,881)	(86,076,203)
Transfers/Adjustments	-	(1,000)
	<b>13,336,343</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Water Services Infrastructure grant (WSIG)</b>		
Balance unspent at beginning of year	3,588,261	-
Current-year receipts	45,160,000	55,000,000
Conditions met - transferred to revenue	(48,748,261)	(51,411,739)
	-	<b>3,588,261</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Transfers and subsidies (continued)</b>		
<b>Department of Sports, Arts, Culture &amp; Recreation (SRAC)</b>		
Balance unspent at beginning of year	2,268,066	959,507
Current-year receipts	21,800,000	22,221,000
Conditions met - transferred to revenue	(22,443,263)	(20,912,441)
	<b>1,624,803</b>	<b>2,268,066</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Finance Management Grant (FMG)</b>		
Current-year receipts	1,650,000	1,550,000
Conditions met - transferred to revenue	(1,650,000)	(1,550,000)
	-	-
<b>West Rand District Municipality (WRDM)</b>		
Balance unspent at beginning of year	995,049	1,091,200
Current-year receipts	5,250,080	5,000,160
Conditions met - transferred to revenue	(5,305,088)	(5,096,311)
Transfers/Adjustments	(206,400)	-
	<b>733,641</b>	<b>995,049</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Intergrated National Electrification programme (INEP)</b>		
Balance unspent at beginning of year	-	9,125
Current-year receipts	4,600,000	18,513,000
Conditions met - transferred to revenue	(4,600,000)	(18,512,998)
Transfers/Adjustments	-	(9,127)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
<b>Expanded Public Works Programme (EPWP)</b>		
Current-year receipts	8,123,000	7,702,000
Conditions met - transferred to revenue	(8,123,000)	(7,702,000)
	-	-
<b>Expanded Public Works Programme (EPWP) - CoGTA</b>		
Current-year receipts	540,000	537,000
Conditions met - transferred to revenue	(540,000)	(537,000)
	-	-
<b>Property Master &amp; Management Valuation System Grant</b>		
Balance unspent at beginning of year	-	3,600,000
Conditions met - transferred to revenue	-	(3,600,000)
	-	-

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Transfers and subsidies (continued)</b>		
<b>CoGTA - GRAP 17</b>		
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	<u>-</u>	<u>-</u>
<b>32. Donations</b>		
Donations/Assets transferred (Assets aquired at no cost)	<u>37,559,341</u>	<u>1,395,914</u>
<b>33. Fines, Penalties and Forfeits</b>		
Statutory income: Traffic fines	26,356,900	43,384,743
Penalties and Admin fees	45,527,112	19,104,680
Library Fines	3,284	1,807
	<u>71,887,296</u>	<u>62,491,230</u>

Revenue from traffic fines is recognised on the accrual basis.

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

### 34. Fair value adjustment

Fair value losses	-	(82,960)
Fair value gains	<u>10,456,972</u>	<u>21,538,219</u>

#### Fair value adjustment

##### Investment property fair value adjustment

The investment property of the municipality was fair valued by an independent valuer (Bigen Africa) 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 R58.35: 2023 (R52.87: 2022) has depreciated.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Employee related costs</b>		
Basic salaries	590,790,047	537,732,602
Bonus	39,933,802	37,970,005
Medical aid - company contributions	37,746,623	36,683,070
UIF	3,261,500	3,390,463
Industrial council levy	193,999	189,640
Employee Benefit Obligation - Interest	27,277,800	24,051,429
Leave provision and payments	2,062,679	2,152,620
Actuarial losses	-	2,719
Skills Development Levy	6,990,292	6,353,749
Defined contribution plans	99,397,427	93,994,791
Overtime payments	42,359,031	35,221,217
Long-service awards	323,382	411,742
Acting allowances	3,964,636	841,227
Car allowance	52,674,281	52,987,488
Housing subsidy	4,193,126	3,869,135
Accounting Officer and Senior Managers	16,276,756	15,979,422
	<b>927,445,381</b>	<b>851,831,319</b>
<b>36. Remuneration of councillors</b>		
Executive Mayor	1,214,229	1,015,026
Chief Whip	838,589	773,640
Speaker	990,484	822,371
Municipal Public Accounts Committee (MPAC)	812,711	701,238
Mayoral Committee Members	8,603,530	7,395,234
Part time councillors	26,300,695	23,214,866
	<b>38,760,238</b>	<b>33,922,375</b>
<b>37. Depreciation and amortisation</b>		
Property, plant and equipment	255,223,235	232,911,104
Intangible assets	1,466,560	2,614,753
	<b>256,689,795</b>	<b>235,525,857</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. (Impairment loss)/Reversal of impairments</b>		
<b>Impairments</b>		
Impairments Property, plant and equipment	10,645,604	18,955,824
<b>39. Interest costs</b>		
Interest paid	22,305,730	27,494,539
Overdue accounts	41,347,093	25,704,256
	<b>63,652,823</b>	<b>53,198,795</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>40. Debt impairment</b>		
Debt impairment	331,114,214	266,202,205
Impairment on receivables is accounted for in terms of the approved methodology for impairment of receivables.		
<b>41. Collection costs</b>		
Collection cost	46,172,597	33,218,658
Collection costs entails commission payable for credit control actions, debt collection fees, prepaid vending services fees and third party bill payments processing service.		
<b>42. Bulk purchases</b>		
Electricity - Eskom	944,762,035	928,573,915
Water - Rand Water	443,870,549	382,647,725
Wastewater sewer discharge: Johannesburg Water	15,192,436	9,448,547
	<b>1,403,825,020</b>	<b>1,320,670,187</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 42. Bulk purchases (continued)

#### 2023

##### Electricity Losses

During the year under review Mogale City Local Municipality had unaccounted electricity of 11,64% which amounts to 71,948,764.80kwh. The total rand value of these losses was R 112,911,325.28. 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 NERSA Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The electricity losses in the 2022/23 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

#### 2022

##### Electricity Losses

During the prior year, Mogale City Local Municipality had unaccounted electricity of 12,58% which amounted to R84, 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 NERSA 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

#### 2023

##### Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 15,79% (non-technical losses), 5,961,124.85 kl. The total rand value of these non-technical losses were R 69,599,516.81.

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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 42. Bulk purchases (continued)

Corrective measures to be implemented

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

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%, 5,664,571.50 kl amounting to R66,193,161.12.

### 2022

#### Water Losses

During the prior year, 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:

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 prior year, 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.

### 43. Contracted services

#### Presented previously

Information Technology Services	9,402,682	21,818,800
Fleet Services	30,732,016	35,576,753
Operating Leases	8,862,466	7,693,216
Specialist Services	6,776,818	5,785,102
Repairs and maintenance	58,647,143	174,757,609
Other Contractors	276,221,658	304,727,754
	<b>390,642,783</b>	<b>550,359,234</b>

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# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>44. Operational costs</b>		
Advertising	935,906	1,267,851
Assets written off	10,724,725	24,616,307
Audit and Risk committee remuneration	450,264	414,527
Bank charges	1,644,436	1,814,743
Bursary scheme internal and external	356,069	342,035
Compensation Occupational Injuries and Diseases Act	4,141,315	3,857,443
Conferences and seminars	135,401	14,628
Consumables	1,427,654	803,495
Fuel and oil	20,092,585	14,492,847
Insurance	7,338,824	5,215,200
Internet fees	992,583	2,390,715
Magazines, books and periodicals	14,421	6,333
Other expenses	33,714,312	21,157,727
Postage and courier	4,344,011	4,075,665
Printing and stationery	1,736,195	1,076,453
Electricity purchases for consumption	18,661,588	12,495,580
Refreshments general and meetings	29,626	7,633
Royalties and licence fees	6,004,606	7,988,588
Safety equipment/Protective clothing	2,108,161	1,760,474
Settlement and legal fees	24,906,710	13,594,280
Stores and materials (inventory items)	1,757,056	864,784
Subscriptions and membership fees	10,343,694	9,788,937
Telephone and fax	5,644,918	5,367,339
Training	420,748	442,736
Travel - local	192,509	60,966
	<b>158,118,317</b>	<b>133,917,286</b>
<b>45. Gains and losses</b>		
<b>Gains and losses</b>		
Actuarial gains	26,098,480	23,710,167

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>46. Net cash flows from operating activities</b>		
Surplus	160,214,202	20,640,937
<b>Adjustments for:</b>		
Depreciation and amortisation	256,689,795	235,525,857
Gain on fair value adjustment - Investment Property	(10,456,972)	(21,538,219)
Employee benefit obligation	(3,564,947)	-
Impairment loss/reversal	10,645,605	18,955,824
Debt impairment	331,114,214	266,202,205
Movements in operating lease assets and accruals	-	(3,629,667)
Movements in provisions	1,720,308	(8,154,705)
Social Responsibility	8,787,083	7,190,519
Inventories	278,949	2,815,327
Receivables from exchange transactions	(327,786,762)	(320,648,289)
Receivables from non-exchange transactions	(75,712,815)	(41,267,804)
Movements in retirement benefit assets and liabilities	(2,180,279)	(1,942,265)
Operating lease asset	3,686	31,621
Operating lease liabilities	2,726	(76)
Donation of assets/gain	(37,559,341)	(1,395,914)
Financial assets fair value	-	82,960
Payables from exchange transactions	9,710,199	247,251,619
VAT	(12,805,395)	1,984,501
Assets written off	10,724,725	24,616,307
Unspent conditional grants and receipts	8,843,411	(30,556,637)
Consumer deposits and guarantees	2,693,670	3,486,753
Provision for landfill site	(9,293)	(8,715,964)
Sundry deposits	23,150	135,545
Payables from non-exchange transactions	27,956,822	8,432,355
	<b>359,332,741</b>	<b>399,502,790</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 47. 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%.

#### 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

##### 46.1 Rental of facilities and equipment

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

##### 46.2 Income from agency services

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

##### 46.3 Licence and permits.

Due to a high number of small business applications in and around the municipality.

##### 46.4 Investment revenue - Interest revenue.

The municipality invested grant funding as part of the budget support plan pillar of Ring Fencing of Conditional Grants as per the National Treasury pillars.

##### 46.5 Fines, Penalties and Forfeits

The contract for the rental of speed cameras came to an end during the year under review, the tender was awarded from 01 July 2023.

##### 46.6 Operational revenue from exchange transactions

This revenue item consists of various small items, many of which under collected. The main ones that show under collection are service connections(small), pensioners medical aid contribution, and social responsibility.

#### Expenditure

##### 46.7 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.

##### 46.8 Operational cost

The costs under this item are normally grouped under other general expenses and they amounted to R4,3 million.

##### 46.9 Transfers and Subsidies (operational expenditure).

The underspending is due to spending on grants in aid, these are grants transfers allocated to the community as part of community development initiatives drive by the municipality, they include social responsibility, and discretionary grants as part of cost cutting measures implemented by the municipality.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 47. Budget differences (continued)

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 48. Prior period adjustments

### Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Assets</b>				
<b>Current Assets</b>				
Inventories	5,874,432	-	-	5,874,432
Receivables from non-exchange transactions	277,423,225	-	-	277,423,225
Receivables from exchange transactions	442,187,674	(373,297)	-	441,814,377
Cash and cash equivalents	141,836,531	-	-	141,836,531
Operating lease asset	36,636	16,347	-	52,983
VAT receivable	43,910,488	(1,560,871)	-	42,349,617
	<b>911,268,986</b>	<b>(1,917,821)</b>	-	<b>909,351,165</b>
<b>Non-Current Assets</b>				
Living resources	3,187,374	-	-	3,187,374
Investment property	714,684,722	(56,840,394)	-	657,844,328
Property, plant and equipment	5,654,273,476	111,686,242	-	5,765,959,718
Intangible assets	3,561,452	201,267	-	3,762,719
Heritage assets	2,450,275	-	-	2,450,275
Financial assets	516,011	-	-	516,011
	<b>6,378,673,310</b>	<b>55,047,115</b>	-	<b>6,433,720,425</b>
<b>Total Assets</b>	<b>7,289,942,296</b>	<b>53,129,294</b>	-	<b>7,343,071,590</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
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	289,306	-	-	289,306
Payables from non-exchange transactions	110,431,131	-	-	110,431,131
Payables from exchange transactions	1,234,140,596	(7,743,559)	-	1,226,397,037
Financial liabilities	30,695,663	-	-	30,695,663
Sundry deposits	12,815,095	-	-	12,815,095
Consumer deposits and guarantees	67,262,290	-	-	67,262,290
	<b>1,477,126,246</b>	<b>(7,743,559)</b>	-	<b>1,469,382,687</b>
<b>Non-Current Liabilities</b>				
Employee benefit obligation	227,447,000	-	-	227,447,000
Finance lease obligation	950,224	-	-	950,224
Provisions	97,936,220	-	-	97,936,220
Financial liabilities	188,382,569	-	-	188,382,569
	<b>514,716,013</b>	-	-	<b>514,716,013</b>
<b>Total Liabilities</b>	<b>1,991,842,259</b>	<b>(7,743,559)</b>	-	<b>1,984,098,700</b>
<b>Net Assets</b>	<b>5,298,100,037</b>	<b>60,872,853</b>	-	<b>5,358,972,890</b>
<b>Social Responsibility Fund</b>				
Social Responsibility Fund	41,646,766	786	-	41,647,552
Accumulated surplus	5,256,453,273	60,872,124	-	5,317,325,397
<b>Total Net Assets</b>	<b>5,298,100,039</b>	<b>60,872,910</b>	-	<b>5,358,972,949</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 48. Prior period adjustments (continued)

### Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
<b>Revenue</b>				
<b>Revenue from exchange transactions</b>				
Service charges	1,925,203,553	-	-	1,925,203,553
Rental of facilities and equipment	5,111,607	16,347	-	5,127,954
Income from agency services	22,305,292	-	-	22,305,292
Licences and permits	33,414	-	-	33,414
Operational revenue from exchange transactions	70,526,107	(25,106,081)	-	45,420,026
Interest received - Outstanding debtors	50,780,655	-	-	50,780,655
Investment revenue - Interest revenue	2,589,198	-	-	2,589,198
Investment revenue - Dividends revenue	26,079	-	-	26,079
<b>Total revenue from exchange transactions</b>	<b>2,076,575,905</b>	<b>(25,089,734)</b>		<b>- 2,051,486,171</b>
<b>Revenue from non-exchange transactions</b>				
Property rates	548,627,737	-	-	548,627,737
Transfers & subsidies	811,162,691	-	-	811,162,691
Donations	-	1,395,914	-	1,395,914
Fines, Penalties and Forfeits	62,491,230	-	-	62,491,230
Fair value adjustments investment property	22,936,335	(1,398,116)	-	21,538,219
<b>Total revenue from non-exchange transactions</b>	<b>1,445,217,993</b>	<b>(2,202)</b>		<b>- 1,445,215,791</b>
<b>Total revenue</b>	<b>3,521,793,898</b>	<b>(25,091,936)</b>		<b>- 3,496,701,962</b>
<b>Expenditure</b>				
Employee related costs	(850,483,354)	-	-	(851,831,319)
Remuneration of councillors	(33,922,375)	-	-	(33,922,375)
Depreciation and amortisation	(234,979,615)	(546,242)	-	(235,525,857)
Impairment loss/Reversal of impairments	(20,982,371)	2,026,547	-	(18,955,824)
Interest costs	(27,494,539)	(25,704,256)	-	(53,198,795)
Debt impairment	(266,202,205)	-	-	(266,202,205)
Collection costs	(33,218,658)	-	-	(33,218,658)
Bulk purchases	(1,344,628,909)	23,958,722	-	(1,320,670,187)
Contracted services	(545,653,534)	(4,705,700)	-	(550,359,234)
Transfers and subsidies (operational expenditure)	(1,886,492)	-	-	(1,886,492)
Interest paid on bulk purchases	(25,704,256)	25,621,296	-	(82,960)
Operational costs	(116,113,373)	(17,803,913)	-	(133,917,286)
<b>Total expenditure</b>	<b>(3,501,269,681)</b>	<b>2,846,454</b>		<b>- (3,499,771,192)</b>
	<b>20,524,217</b>	<b>(22,245,482)</b>		<b>(3,069,230)</b>
Discontinued operations	-	-	26,098,480	23,710,167
<b>Surplus for the year</b>	<b>20,524,217</b>	<b>(22,245,482)</b>	<b>26,098,480</b>	<b>20,640,937</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 48. Prior period adjustments (continued)

#### 48.1 Prior period error

##### Reasons for prior year changes

1. Correction and reversal of incorrect entries accrued in the 2021/22 financial year
2. Invoice amended by supplier due to overcharge.
3. Accounting for credit note accrued in the 2021/22 financial year
4. Correction of accumulated depreciation on finance leases & correction of operating leases as lessor
5. Correction of interest charges to the correct accounting period

##### Retentions

1. Accrued retention W.R.T. maintenance service of water & sewer network
2. Correction of retention amount VAT portion was claimed
3. Accrued retention for Leratong Bulk infrastructure
4. Accrued retention W.R.T. maintenance service for water & sewer network
5. Accrued retention W.R.T. maintenance service for water & sewer network
6. Accrued retention W.R.T. maintenance service for water & sewer network

##### Assets

1. Investment property reclassified to PPE
2. Investment property not owned by the municipality removed from the asset register
3. Prior year projects capitalised
4. Impairment of projects and CAPEX to OPEX
5. Prior period RUL adjustment to avoid assets held at R 1Derecognition of filling station

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 48. Prior period adjustments (continued)

#### Cash flow statement

### Cash Flow Statement

	Audited	Prior year adjustment	Reclassifying adjustments	Restated
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxation	-	479,607,271	-	479,607,271
Sale of goods and services	1,996,428,688	(301,002,596)	-	1,695,426,092
Property rates	548,627,737	(548,627,737)	-	-
Interest income	53,369,852	-	-	53,369,852
Dividends received	26,079	-	-	26,079
Grants	780,606,054	-	-	780,606,054
Other receipts	-	77,866,548	-	77,866,548
	<b>3,379,058,410</b>	<b>(292,156,514)</b>		<b>- 3,086,901,896</b>
<b>Payments</b>				
Employee costs	(888,035,396)	13,613,197	-	(874,422,199)
Suppliers	(1,622,473,893)	(137,304,219)	-	(1,759,778,112)
Interest costs	(27,494,539)	(25,704,256)	-	(53,198,795)
Other payments	(428,562,548)	428,562,548	-	-
	<b>(2,966,566,376)</b>	<b>279,167,270</b>		<b>-(2,687,399,106)</b>
<b>Net cash flows from operating activities</b>	<b>412,492,034</b>	<b>(12,989,244)</b>		<b>- 399,502,790</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(296,636,871)	20,143,759	-	(276,493,112)
Derecognition of property, plant and equipment	4,280,636	(4,280,636)	-	-
Purchase of intangible assets	(3,130,435)	1	-	(3,130,434)
Derecognition of investment property	2,873,880	(2,873,880)	-	-
<b>Net cash flows from investing activities</b>	<b>(292,612,790)</b>	<b>12,989,244</b>		<b>-(279,623,546)</b>
<b>Cash flows from financing activities</b>				
Repayment of financial liabilities	(30,112,356)	-	-	(30,112,356)
Finance lease obligation	(12,854,784)	-	-	(12,854,784)
<b>Net cash flows from financing activities</b>	<b>(42,967,140)</b>	<b>-</b>		<b>-(42,967,140)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>76,912,104</b>	<b>-</b>		<b>- 76,912,104</b>
Cash and cash equivalents at the beginning of the year	64,924,427	-	-	64,924,427
<b>Cash and cash equivalents at the end of the year</b>	<b>141,836,531</b>	<b>-</b>		<b>- 141,836,531</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 49. Commitments

#### Authorised capital expenditure

##### Already contracted for

• Infrastructure	1,137,753,172	193,309,132
• Community	617,074,038	656,059,208
	<b>1,754,827,210</b>	<b>849,368,340</b>

#### Authorised operational expenditure

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

• Operational Expenditure	1,582,000	167,958,766
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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 11 contracts that are on an as and when required basis. The contracts year to date expenditure amount to R162 595 352: 2023, R158 972 703: 2022. 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 24 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 370 352 871.

#### Deviations

During the year under review Mogale City Local Municipality deviated with a total amount of R 42,251,023 .

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

##### Minimum lease payments due

- within one year	5,905,481	5,882,135
- in second to fifth year inclusive	10,312,746	16,175,872
	<b>16,218,227</b>	<b>22,058,007</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 expenses relating to operating leases

Minimum lease payments	966,667	966,667
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#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	547,131	348,860
- in second to fifth year inclusive	1,028,045	369,210
	<b>1,575,176</b>	<b>718,070</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 49. 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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>50. 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 application made in terms of Section 118.		
<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>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>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>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>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
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>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	60,000
Summons issued against the municipality for vicarious liability.		
<b>Telkom SA SOC Limited</b>	37,175	37,175
Summons issued against the municipality for damages.		
	<b>14,251,081</b>	<b>24,155,836</b>

### Contingent Assets

<b>Godeffroy Fleurette Pamela</b>	25,451	-
Attorneys instructed to issue summons.		
<b>Nyoni Family Trust</b>	202,638	-
Matter pending Attorneys to recover the outstanding monies due to the Municipality.		
<b>J Pooe</b>	60,453	-
Matter pending Attorneys to recover the outstanding monies due to the Municipality.		

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>50. Contingencies (continued)</b>		
<b>H Makwela</b>	70,533	-
Matter pending Attorneys to recover the outstanding monies due to the Municipality.		
<b>SA and Investments</b>	2,751,639	-
Listed our name and signed claims documents with the liquidators.		
<b>Edward Ivan Judeel</b>	23,173	-
Listed our name and signed claims documents with the liquidators.		
<b>Piplani Jitinder &amp; Piplani Birgitta</b>	799,171	-
Matter pending Attorneys to recover the outstanding monies due to the Municipality.		
<b>M.D. Joko</b>	26,756	-
Matter pending Attorneys to recover the outstanding monies due to the Municipality.		
<b>Phindana Property 163 Pty Ltd</b>	16,086	-
Listed our name and signed claims documents with the liquidators.		
<b>R&amp;N Becker &amp; de Villers</b>	345,577	-
Instructed Attorneys to trace defendant.		
<b>P Fourie</b>	102,972	-
Summons issued for the outstanding amount on account.		
	<b>4,424,449</b>	<b>-</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

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### 51. Related parties

#### Relationships

Political Office Bearers consist of:

Executive Mayor

Cllr D. Thupane

Cllr T.M. Gray

Cllr F.M. Makgatho

Cllr T. Ramaisa

Cllr J. Miller

S.I. Dube

Chief Whip

Cllr L. Sele

Cllr N.C. Mangole

Cllr J.L. Pannall

Speaker

Cllr M. Lephadi

Cllr D.S. David

MPAC

Cllr X.L. Mkruquli

Cllr D. David

Councillors (MMC)

Cllr W. Segolodi

Cllr M. Mogoje

Cllr N. Segapela

Cllr P. Modise

Cllr F. Makgatho

Cllr J. Koboekae

Cllr K. Mandyu

Cllr D. Modiko

Cllr X. Mkruquli

Cllr N.M. Sedumedi

Cllr J.J. Holtzhausen

Cllr L.W. Moleba

Cllr Z. Wehinger-Maguire

Cllr K.E. Lekgane

Cllr D.M. Thupane

Cllr A. van Loggerenberg Wentzel

Cllr S.L. Lebesa

Cllr L.L. Lekoto

Cllr E. Mahne

Cllr B.E. Nkosi

Accounting Officer

Part time councillors (Full list detailed below)

Members of key management

Mr M.A. Msezana

Ms B.V. Monkwe

Mr. D.Ngutshana

Mr B.M. Dube

Ms L.A. Modiba

Mr M.C. Thenga

Mr N.N. Fani

Ms S.P. Mdlalose (Acting)

Mr N.V. Bekwa (Acting)

Mrs E. Segatlhe-wa-Lesejane (Acting)

Mr A. Botes (Acting)

Ms K. Vahed (Acting)

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

#### Remuneration of management

#### Mayoral committee members

2023

	Annual Remuneration	Cellphone Allowance	Data card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
<b>Executive Mayor</b>						
F.M. Makgatho (term ended)	15,820	-	-	6,371	3,516	25,707
T.M. Gray (term ended)	612,302	34,000	2,900	232,637	100,734	982,573
D.M. Thupane	128,940	7,480	660	49,427	19,441	205,948
<b>Chief Whip</b>						
S.I. Dube (term ended)	17,724	-	-	2,670	-	20,394
J. Miller (term ended)	129,568	6,800	600	39,496	13,520	189,984
L.L. Lekoto (term ended)	284,976	22,667	2,000	116,521	49,931	476,095
T. Ramaisa	92,995	6,800	600	35,648	16,072	152,115
<b>Speaker</b>						
N.C. Mangole (term ended)	19,061	-	-	5,097	-	24,158
J.L. Pannall (term ended)	489,169	34,000	3,000	187,030	91,798	804,997
L.G. Sele	99,442	6,800	600	38,120	16,366	161,328
<b>Section 79 Chair Person</b>						
X.L. Mkruquili (term ended)	457,119	34,000	3,000	173,214	74,460	741,793
M.R. Lephadi	43,446	3,400	300	16,653	7,118	70,917
<b>MMC: Corporate Support &amp; Strategic Planning</b>						
M. Khuzwayo (term ended)	17,725	-	-	2,670	-	20,395
A. Van Loggerenberg (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
K. Mandyu	65,226	4,387	387	21,742	917	92,659
<b>MMC: Community Safety</b>						
A.K. Setswalo-Moja (term ended)	17,725	-	-	2,670	-	20,395
S.L. Lebesa (term ended)	456,840	34,000	3,000	171,795	76,358	741,993
T.J. Steenkamp (term ended)	356,131	23,800	2,100	141,599	58,360	581,990
<b>MMC: Health &amp; Social Development</b>						
L.L. Lekoto (term ended)	180,128	10,200	900	47,190	26,652	265,070

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

W. Segolodi	58,633	4,387	387	21,742	7,445	92,594
T. Ntando (Term Ended)	261,718	20,400	1,800	99,392	44,195	427,505
<b>MMC: Intergrated Environment Management</b>						
M.F. Chohledi (term ended)	17,725	-	-	2,670	-	20,395
E. Mahne (term ended)	170,295	10,200	900	-	20,280	201,675
X.L. Mkruquili	87,290	6,800	600	33,461	14,375	142,526
<b>MMC: Sports &amp; Recreation</b>						
C.M. Ntlatlane (term ended)	17,725	-	-	2,670	-	20,395
B.E. Nkosi (term ended)	458,064	34,000	3,000	176,573	91,461	763,098
D.M. Modiko	57,071	3,400	300	21,877	9,387	92,035
<b>MMC: Finance</b>						
N.M. Sedumedi (term ended)	17,725	-	-	2,670	-	20,395
J.J. Holtzhausen (term ended)	462,078	34,000	3,000	178,537	77,609	755,224
D.S. David	57,071	3,400	300	21,877	9,387	92,035
<b>MMC: Roads and Transport</b>						
M.B. Mdlane (term ended)	17,725	-	-	2,670	-	20,395
L.W. Moleba (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
M.J. Koboekae	57,071	3,400	300	21,877	9,387	92,035
<b>MMC: LED &amp; Rural Development</b>						
T.P. Moeketsi (term ended)	19,005	-	-	1,390	-	20,395
Z. Wehinger-Maguire (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
M.M. Mogoje	57,071	3,400	300	21,877	9,387	92,035
<b>MMC: Utilities</b>						
I.T. Nzwane (term ended)	17,725	-	-	2,670	-	20,395
K.E. Lekgane (term ended)	462,078	34,000	3,000	175,290	77,609	751,977
P.K. Modise	57,071	3,400	300	21,877	9,387	92,035
<b>MMC: Human Settlement</b>						
D.M. Thupane	449,425	32,867	2,900	168,952	76,323	730,467
<b>MMC: Public Safety</b>						
F. Makgatho	51,073	3,400	300	20,290	10,392	85,455
<b>MMC: Local Economic Development</b>						
N. Segapela	57,071	3,400	300	21,877	9,387	92,035
	<b>7,781,281</b>	<b>530,788</b>	<b>46,734</b>	<b>2,836,659</b>	<b>1,264,081</b>	<b>12,459,543</b>

2022

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

	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. Mkrquuli	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 (term ended)	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 (term ended)	276,656	22,923	2,023	106,051	45,574	453,227
<b>MMC: Health &amp; Social Services</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
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>						

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

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>

### Councillors

#### 2023

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
G.I. Moliwanyane	6,049	-	-	2,016	-	8,065
F.O. Bhayat	6,049	-	-	2,016	-	8,065
S.D. Letsie	6,049	-	-	2,016	-	8,065
P.T. Molapo	6,049	-	-	2,016	-	8,065
E. Modise	6,049	-	-	2,016	-	8,065
T.J. Steenkamp	84,804	17,000	1,500	32,508	14,714	150,526
J.L. Pannall	34,591	6,800	600	14,220	8,565	64,776
M. Mohube	6,049	-	-	2,016	-	8,065
I.T. Nzwane	17,725	-	-	2,670	-	20,395
D.S. David	230,457	37,400	3,300	86,502	37,425	395,084
M.J. Selibo	6,049	-	-	2,016	-	8,065
M.P. Madumo	6,049	-	-	2,016	-	8,065
B.A. Kubayi	242,165	40,800	3,600	90,990	39,380	416,935
M.L. Agondo	6,049	-	-	2,016	-	8,065

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

M.D. Sithole	6,049	-	-	2,016	-	8,065
P.T. Molapo	6,049	-	-	2,016	-	8,065
M.O. Ramadi	6,049	-	-	2,016	-	8,065
S. Silaule	6,049	-	-	2,016	-	8,065
J.S. Hoon	6,049	-	-	2,016	-	8,065
G.K. Gaselebelwe	6,049	-	-	2,016	-	8,065
B.N. Ngakane	6,049	-	-	2,016	-	8,065
J.N. Kotze	242,165	40,800	3,600	90,990	39,380	416,935
P.C. Orpen	6,049	-	-	2,016	-	8,065
B.V. Molefe	227,138	40,800	3,600	90,990	54,256	416,784
L. Modise	6,049	-	-	2,016	-	8,065
W. Ngwako	6,049	-	-	2,016	-	8,065
L.G. Resha	227,138	40,800	3,600	90,538	54,256	416,332
L.W. Zwankhuizen	242,165	40,800	3,600	90,990	39,380	416,935
E. Mahne	233,178	30,600	2,700	8,870	32,447	307,795
A. van Loggerenberg-Wentzel	37,095	6,800	600	14,220	6,093	64,808
J.J. Holtzhausen	37,095	6,800	600	14,220	6,093	64,808
M.J. Koboekae	223,617	37,400	3,300	83,880	36,304	384,501
V.B. Khumalo	227,138	40,800	3,600	90,990	54,256	416,784
T.E. Mokoena	6,049	-	-	2,016	-	8,065
T.M. Gray	43,278	7,933	700	16,590	7,084	75,585
P.J. Makokwe	6,049	-	-	2,016	-	8,065
I. Mangole	6,049	-	-	2,016	-	8,065
L.W. Moleba	37,095	6,800	600	14,220	6,093	64,808
C.J. van der Westhuizen	242,165	40,800	3,600	90,990	39,380	416,935
S. Govindasamy	227,138	40,800	3,600	90,990	54,256	416,784
Z. Wehinger-Maguire	37,095	6,800	600	14,220	6,093	64,808
M.C. Naude	227,138	40,800	3,600	90,990	54,256	416,784
K.E. Lekagane	37,095	6,800	600	14,220	6,093	64,808
M. Ndamase	242,165	40,800	3,600	90,990	39,380	416,935
A.G. Mutele	6,049	-	-	2,016	-	8,065
S.A. Dabhelia	242,165	40,800	3,600	90,990	39,380	416,935
L.L. Lekoto	43,278	7,933	700	16,590	7,118	75,619
R.B. Seemela	6,049	-	-	2,016	-	8,065
M.L. Khoza	6,049	-	-	2,016	-	8,065
J. Makgopa	6,049	-	-	2,016	-	8,065

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 51. Related parties (continued)

G.A. Tsele	6,049	-	-	2,016	-	8,065
B.S. Tlapu	6,049	-	-	2,016	-	8,065
O.S. Moralo	242,165	40,800	3,600	90,990	39,380	416,935
B.L. Shabalala	6,049	-	-	2,016	-	8,065
L.E. du Toit	242,165	40,800	3,600	90,990	39,380	416,935
A.S. Eksteen	54,478	6,800	600	19,891	5,747	87,516
K.E. Mapetla	6,049	-	-	2,016	-	8,065
H.H. Kruger	149,151	23,800	2,100	55,440	23,999	254,490
P.K. Modise	223,617	37,400	3,300	83,880	36,304	384,501
A.K. Molosiwa	6,049	-	-	2,016	-	8,065
G.A. Dalton	29,995	3,400	300	10,753	2,874	47,322
L.G. Sele	198,529	34,000	3,000	74,754	32,523	342,806
D.M. Modiko	217,077	37,400	3,300	81,864	35,430	375,071
T. Ntando	106,354	20,400	1,800	40,769	17,588	186,911
L.T. Tshose	235,624	40,800	3,600	88,973	38,506	407,503
M.V. Khol	235,624	40,800	3,600	88,973	38,506	407,503
L.R. Moeketsi	235,624	40,800	3,600	88,973	38,506	407,503
M.L. Trump	235,624	40,800	3,600	88,973	38,506	407,503
T.G. Koto	235,624	40,800	3,600	88,973	38,506	407,503
T. Ramaisa	198,529	34,000	3,000	74,754	32,354	342,637
M.A. Hleza	235,624	40,800	3,600	88,973	38,506	407,503
K.C. Ntshangase	235,624	40,800	3,600	88,973	38,506	407,503
M.R. Lephadi	217,077	37,400	3,300	81,864	35,430	375,071
N.D. Bhengu	205,410	35,097	3,097	77,047	32,458	353,109
F. Ngobeni	235,624	40,800	3,600	88,973	38,506	407,503
N.A. Sithole	235,624	40,800	3,600	88,973	38,506	407,503
E. Mdluli	205,410	35,097	3,097	77,047	32,458	353,109
D. Toerien	235,624	40,800	3,600	88,973	38,506	407,503
L.J. Gouws	235,624	40,800	3,600	88,973	38,506	407,503
M.M. Mogoje	217,077	37,400	3,300	81,864	35,430	375,071
N.G. Segapela	217,077	37,400	3,300	81,864	35,430	375,071
T.J. Tapani	235,624	40,800	3,600	88,973	38,506	407,503
E.L.L. Lesuthu	235,624	40,800	3,600	88,973	38,506	407,503
N.D. Witbooi	235,624	40,800	3,600	88,973	38,506	407,503
W. Mnyaji	235,624	40,800	3,600	88,973	38,506	407,503
J.O. Muravha	235,624	40,800	3,600	88,973	38,506	407,503

# Mogale City Local Municipality

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### 51. Related parties (continued)

R.J. Mokoto	235,624	40,800	3,600	88,973	38,506	407,503
S.L.A. Cochrane	235,624	40,800	3,600	88,973	38,506	407,503
A. Jooste	268,270	40,800	3,600	88,973	4,016	405,659
M.H. Taunyane	235,624	40,800	3,600	88,973	38,506	407,503
A. Steyn	231,868	40,800	3,600	88,973	42,225	407,466
A.M. Badenhorst	235,624	40,800	3,600	88,973	38,506	407,503
L.P. Pii	235,624	40,800	3,600	88,973	38,506	407,503
K. Motlhophe	235,624	40,800	3,600	88,973	38,506	407,503
P.S. Tabiwa	235,624	40,800	3,600	88,973	38,506	407,503
G.K. Morake	235,624	40,800	3,600	88,973	38,506	407,503
R.E. Munyai	235,624	40,800	3,600	88,973	38,506	407,503
C.M. Mankazana	235,624	40,800	3,600	88,973	38,506	407,503
N. Nhlapo	235,624	40,800	3,600	88,973	38,506	407,503
N.T. Xhale	235,624	40,800	3,600	88,973	38,506	407,503
M.C. Mosala	220,598	40,800	3,600	88,973	53,381	407,352
L.L. Ntshabele	235,624	40,800	3,600	88,973	38,506	407,503
P.L. Matshaba	230,765	40,800	3,600	87,804	37,988	400,957
M.M. Nqosa	190,622	34,768	3,068	72,704	30,875	332,037
J.B. Seleke	170,668	31,167	2,750	65,174	27,768	297,527
D.C. Nieuwenhuyzen	169,926	27,087	2,390	56,642	2,560	258,605
J.P.J. Liebenberg	83,331	15,057	1,329	31,487	12,441	143,645
F.M. Makgatho	209,262	37,400	3,300	83,450	49,078	382,490
D.M. Thupane	3,706	453	40	1,421	241	5,861
S.L. Lebesa	37,095	6,800	600	14,220	6,093	64,808
B.E. Nkosi	34,591	6,800	600	14,220	8,572	64,783
	<b>15,276,101</b>	<b>2,594,992</b>	<b>228,970</b>	<b>5,690,271</b>	<b>2,510,369</b>	<b>26,300,703</b>

### 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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 51. Related parties (continued)

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
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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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### 51. Related parties (continued)

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
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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

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
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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

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>

### Executive management

2023

Name	Annual Remuneration	Non pensionable cash gratuity	Cell Phone	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Leave Resignation & Long Service Leave	Total
M.P. Readani (resigned)	13,604	9,090	-	-	-	-	22,694
M.A. Msezana <b>Chief Finance Officer</b>	1,781,590	21,816	21,000	240,000	22,770	-	2,087,176
B.V. Monkwe <b>Corporate Support Services</b>	881,354	22,035	-	140,000	79,443	-	1,122,832
T.R.R Ramatlhape (contract ended)	22,715	18,645	-	-	-	300,188	341,548
B.M. Dube <b>Chief Audit Executive</b>	945,407	11,865	15,000	-	10,981	-	983,253
M.K.G.Ramorwesi (resigned)	9,980	8,475	-	-	-	-	18,455
C.D. Ngutshana <b>Utilities Management Services</b>	604,669	8,475	12,500	100,000	32,639	-	758,283
S.H. Mbanjwa (contract ended)	874,911	32,205	-	-	102,146	304,691	1,313,953
<b>Public works, Roads &amp; Transportation</b>							
M.E. Monakedi (contract ended)	23,951	20,340	-	-	-	300,188	344,479
<b>Community Development Services</b>							
A.R. Khuduge (contract ended)	154,791	22,035	-	-	5,693	58,345	240,864
L.A. Modiba <b>Intergrated Environmental Management</b>	991,667	11,865	15,000	-	11,444	-	1,029,976
M.C. Thenga <b>Strategic Management Services</b>	629,360	8,475	12,500	75,000	12,113	-	737,448

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### 51. Related parties (continued)

M. Boihang (contract ended)	1,062,101	33,900	-	-	54,028	103,725	1,253,754
<b>Local Economic Services</b>							
N.N. Fani	535,833	8,475	12,500	85,000	52,305	-	694,113
<b>Acting: Local Economic Services</b>							
N.V. Bekwa	838,445	32,205	-	70,500	157,839	271,300	1,370,289
<b>Acting: Chief Financial Officer</b>							
B.V. Monkwe	518,536	-	-	100,000	53,606	209,641	881,783
<b>Acting: Integrated Environmental Management</b>							
S.P. Mdlalose	841,539	-	-	77,000	10,501	-	929,040
<b>Acting: Corporate Support Service</b>							
E. Segatlhe-Lesejane	584,426	10,170	-	55,000	31,174	-	680,770
<b>Acting EM: Public Works, Roads and Transport</b>							
A. Botes	578,751	5,085	-	43,961	43,498	-	671,295
<b>Acting Chief Audit Ececutive</b>							
K. Vahed	695,928	-	-	18,000	80,823	-	794,751
	12,589,558	285,156	88,500	1,004,461	761,003	1,548,078	16,276,756

### 2022

	Annual Remuneration	Leave Resignation & Long Service Leave	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
<b>Municipal Manager</b>					
M.P. Raedani (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 Financial 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

# Mogale City Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 51. Related parties (continued)

#### Public works, Roads & Transportation

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: Intergrated Environmental Management</b>					
S.P. Mdlalose	1,413,837	-	132,000	17,679	1,563,516
<b>Acting: Corporate Support Service</b>					
E. Segatlhe-wa-Lesejane	115,768	-	11,000	6,227	132,995
	<b>13,223,376</b>	<b>860,742</b>	<b>972,912</b>	<b>922,459</b>	15,979,489

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>52. Unauthorised expenditure</b>		
Opening balance	232,520,068	166,303,172
Unauthorised expenditure - current year	-	66,216,896
	<b>232,520,068</b>	<b>232,520,068</b>

### 2023

During the year under review the municipality had no unauthorised expenditure-.

### 2022

During the previous financial year the municipality incurred unauthorised expenditure amounting to R66 216 896..

### 53. Irregular expenditure

Opening balance	647,122,012	623,244,903
Add: Irregular Expenditure - current year	448,837,078	108,521,188
Add: Additional expenditure identified by Auditor General	18,946,822	-
Less: Amounts not recoverable (not condoned)	-	(84,644,079)
	<b>1,114,905,912</b>	<b>647,122,012</b>

### 2023

During the year under review the municipality incurred irregular expenditure of R 467,783,900

The quarterly Irregular expenditure was tabled at council for consideration and council referred the reports to MPAC for investigation.

### 2022

During the previous financial year the municipality incurred irregular expenditure of R108 521 188.

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

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

### 54. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	56,711,871	50,806,912
Fruitless and wasteful expenditure - current year	41,516,197	28,845,611
Less: Amounts not recoverable (written-off)	-	(22,940,652)
	<b>98,228,068</b>	<b>56,711,871</b>

### 2023

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 R41 347 093, Rand Water charged interest of R93 235 and Interest incurred on a creditor's overdue account of R 75 869 ; totaling to R 41,516,197 . The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy.

The quarterly Fruitless and Wasteful expenditure was tabled at council for consideration and council referred the reports to MPAC for investigation.

### 2022

The municipality incurred fruitless and wasteful expenditure during the previous financial year 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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>55. Additional disclosure in terms of Municipal Finance Management Act</b>			
<b>Contributions to South African Local Government Association</b>			
Current year fees	10,196,880	9,600,203	
Amount paid - current year	(5,098,440)	(9,600,203)	
	<b>5,098,440</b>	<b>-</b>	
<b>Audit fees</b>			
Opening balance	-	143,474	
Current year fees	7,253,567	6,166,713	
Amount paid - current year	(7,230,566)	(6,310,187)	
	<b>23,001</b>	<b>-</b>	
<b>PAYE and UIF</b>			
Opening balance	11,023,225	10,989,559	
Current year expense	154,055,259	138,005,174	
Amount paid - current year	(142,360,134)	(126,981,949)	
Amount paid - previous years	(11,023,225)	(10,989,559)	
	<b>11,695,125</b>	<b>11,023,225</b>	
<b>Pension and Medical Aid Deductions</b>			
Opening balance	17,476,557	17,478,297	
Current year expense	270,196,516	193,767,587	
Amount paid - current year	(269,319,608)	(193,769,327)	
	<b>18,353,465</b>	<b>17,476,557</b>	
<b>Councillors' arrear consumer accounts</b>			
<b>June 30, 2023</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	<b>Total</b>
Councillor M.V. Khol	1,150	365	1,515
Councillor L. Lesuthu	4,025	90,052	94,077
Councillor J.J. Holtzhausen	10,314	10,208	20,522
Councillor M.A. Lebasa	4,353	54,128	58,481
Councillor T. Ntando	1,946	15,290	17,236
Councillor D&M Thupane&Kooko	4,832	2,030	6,862
Councillor D. Thupane	3,643	18,714	22,357
Councillor P.L.&P.H. Matshaba	19,660	92,511	112,171
	<b>49,923</b>	<b>283,298</b>	<b>333,221</b>
<b>June 30, 2022</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	<b>Total</b>
Councillor R.J. Mokoto	1,815	2,442	4,257
Councillor A. Jooste	5,567	3,118	8,685
Councillor T.J. Steenkamp	972	-	972
Councillor T. Ramaisa	845	1,809	2,654
Councillor L. Lesuthu	2,188	87,535	89,723
Councillor E. van Westhuizen	1,268	3,192	4,460
Councillor S.L. Cochrane	2,089	183,872	185,961

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>55. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
Councillor H.F. Zwankhuizen	4,419	-	4,419
Councillor L. Miller	2,828	-	2,828
Councillor D. Thupane (M. Kooko)	229	-	229
Councillor D. Thupane	1,331	19,829	21,160
	<b>23,551</b>	<b>301,797</b>	<b>325,348</b>
<b>56. Audit committee, Performance Audit committee and Risk committee remuneration</b>			
Fees	450,264	414,527	
<b>57. Utilisation of Long-term liabilities reconciliation</b>			
Long-term liabilities raised	188,382,569	219,078,232	

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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 58. 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
2. Setlatlapi Business Enterprise

#### 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	11,109,000
Section 36(1)a(ii): Sole Service Provider	12,821
Section 36(1)a(v): Impractical to follow the normal SCM process	4,751,841
Section 36(1)a(b): Ratify minor breaches	26,377,361
	<b>42,251,023</b>

Council Item no:	Description	Awarded to	Section	Contract/ order amount Rates
K(ii) 3(10/2022)	Leasing of 32 ton landfill compactor for Luipaardsvlei Landfill site.	Aqua transport and plant hire	Section 36(1)a(v): Impractical	
K(ii) 3(10/2022)	The maintenance, servicing and upgrading of the weighbridge (multi-deck) at the testing station in the Delporton and Luipaardsvlei landfill site.	Opto-Africa Pty (Ltd)	Section 36(1)a(v): Impractical	182,20
K(ii)3(01/2022)	Rental and servicing of Vacuum Tankers to informal and Peri-Urban Settlements	Poneho Sanitation	Section 36(1)a(v): Impractical	Rates
K(ii)3 (10/2022)	Provision of services in relation to the supply of licenses, maintenance and support for Alcatel-voice over internet protocol (VoIP) system back-end infrastructure, provision of WAN solution (WAN/PRI/MPLS) and internet connectivity for all municipal offices in MCLM	Vox telecommunications	Section 36(1)a(v): Impractical	3,027,638
K(ii)3 (10/2022)	Procurement a service provider/ consultant for recruitment of managers directly accountable to the Municipal Manager and middle management managers to conduct competency assessments on section 56 of managers	Pinpoint one human resources	Section 36(1)(b): Ratify minor breaches	666,74
K(ii) 2 (01/2023)	Servicing and calibration of the vehicle testing equipment in MCLM	Workshop electronics	Section 36(1)a(ii): Sole provider	1,282,13

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022	
<b>58. Supply Chain Management Regulations (continued)</b>				
K(ii)2 (01/2023)	Ratification of expenses relating to the services provided by Red Ant Security for the months August 2021, January 2022 to May 2022 according to the extention of contract CDS (T&S) 05/2018	Red ants	Section 36(1)(b): Ratify minor breaches	23,440,446
K(ii)2 (10/2023)	Yellow plant hire for various service delivery departments on an as and when required basis.	Hire-all (Pty) Ltd	Section 36(1)a(i): Emergency	Rates
K(ii)3 (05/2023)	Provision of services in relation to the supply of licenses, maintenance and support for Alcatel-voice over internet protocol (VoIP) system back-end infrastructure, provision of WAN solution (WAN/PRI/MPLS) and internet connectivity for all municipal offices in MCLM	Vox telecommunications	Section 36(1)a(v): Impractical	1,542,000
K(ii)03 (05/2023)	Repair and maintenance work including supply, construction and installation services required for high and medium voltage operation.	Tshepang electrical	Section 36(1)a(i): Emergency	Rates
K(ii)03 (05/2023)	Provision of engineering consulting and project management services for the Brickvale intergrated Human Settlements and development project.	Access consulting engineers	Section 36(1)a(v): Impractical	Rates
K(ii)02(07/2023)	Rental of IBM Power 7 server including installation and BIQ data backup and restoration from the current IBM power 6 AS400 to the rental server BIQ system, hardware maintenance and software license.	Edgetec systems (Pty) Ltd	Section 36(1)a(v): Impractical	Rates
K(ii)02(07/2023)	Supply, delivery, installation and leasing of digital multifunctional photocopies with hard drives, printers, high volume mono and colour copies.	Nashua Westrand	Section 36(1)a(i): Emergency	Rates
K(ii)02(07/2023)	Provision of financial system and support to allow the transition from the BIQ Financial Management System.	Quill Associates (Pty) Ltd	Section 36(1)a(i): Emergency	11,109,00

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022	
<b>58. Supply Chain Management Regulations (continued)</b>				
K(ii)02(07/2023)	Provision of services in relation to the supply of licenses, maintenance and support for Alcatel-voice over internet protocol (VoIP) system back-end infrastructure, provision of WAN solution (WAN/PRI/MPLS) and internet connectivity for all municipal offices in MCLM.	Vox telecommunications	Section 36(1)a(v): Impractical	R514 000 per month
K(ii)02(07/2023)	Ratification of the procurement process and expenses incurred for vacuum tankering, sewer suction services and VIP toilets.	Poneho Sanitation	Section 36(1)(b) Ratify Minor breaches	2,270,171
<b>42,251,023</b>				

### 59. 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 2022/23 financial year is 3%

The results of the gearing ratio as calculated in the 2022/23 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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 59. Risk management (continued)

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.

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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>59. Risk management (continued)</b>			
<b>Total borrowings</b>			
Finance lease obligation	15	950,223	1,043,413
Financial liabilities	20	188,382,569	219,078,232
		<b>189,332,792</b>	<b>220,121,645</b>
Less: Cash and cash equivalents	5	144,501,712	141,836,531
Net debt		44,831,080	78,285,114
Total equity		5,529,377,792	5,298,100,040
<b>Total capital</b>		<b>5,574,208,872</b>	<b>5,376,385,154</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.

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 59. 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 instruments

	2023	2022
Financial assets (note 13)	569,496	516,011
Receivables from non-exchange transactions (note 3)	308,269,500	277,423,225
Receivables from exchange transactions ( note 4)	483,876,603	441,814,377
Call accounts money market accounts (note 5)	88,420,557	75,798,423
Cash and cash equivalents (note 5)	56,081,155	66,038,108

### 60. Accounting by principals and agents

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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>60. Accounting by principals and agents (continued)</b>		
<b>Municipality as agent</b>		
Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal	10,791,884	9,484,594
Revenue recognised as compensation for the transactions carried out on behalf of the principal	23,713,912	22,305,299
<b>Receivables held on behalf of the principal</b>		
<b>Payables held on behalf of the principal</b>		
Opening balance	10,791,884	9,484,594
Expenses incurred	77,824,271	66,196,771
Cash paid	(58,849,571)	(64,889,481)
Closing balance	29,766,584	10,791,884

### 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 throughout 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)**

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>60. Accounting by principals and agents (continued)</b>		
<b>Resources (assets and liabilities) of the municipality that are under the custodianship of the agent</b>		
Fee paid as commission to the agent - Prepaid Electricity Vending (Inclusive of VAT)	5,116,002	4,913,613
Fee paid as commission to the agent - Bill payments receipting (Inclusive of VAT)	7,573,168	7,020,145
Fee paid as commission to the agent - Prepaid Water Vending (Inclusive of VAT)	1,674,610	1,961,067
Fee paid as commission to the agent - Bill payment receipting (Inclusive of VAT)	25,380	47,587
	<b>14,389,160</b>	<b>13,942,412</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)

## 61. Segment information

### General information

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 61. Segment information (continued)

#### 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:

<b>Reportable segment</b>	<b>Goods and/or services</b>
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Segment 1	Community and public safety
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Segment 2	Economic and environmental services
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Segment 3	Trading Services
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Segment 4	Other
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# **Mogale City Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Notes to the Annual Financial Statements**

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Figures in Rand

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### **61. Segment information (continued)**

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

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 61. Segment information (continued)

2023

	Community and public safety	Economic and environmental services	Trading Services	Other	Total
<b>Revenue</b>					
Revenue from exchange transactions	(7,617,160)	28,294,639	2,030,652,859	86,279,332	2,137,609,670
Revenue from non-exchange transactions	413,256,745	72,921,365	423,509,061	714,917,167	1,624,604,338
<b>Total segment revenue</b>	<b>405,639,585</b>	<b>101,216,004</b>	<b>2,454,161,920</b>	<b>801,196,499</b>	<b>3,762,214,008</b>
<b>Expenditure</b>					
Total Segment Expenses	256,355,872	183,271,867	1,792,928,925	733,439,186	2,965,995,850
Depreciation and Amortisation	20,727,299	61,514,572	170,779,447	3,668,477	256,689,795
Impairment loss/Reversal of impairment	-	-	-	10,645,604	10,645,604
Debt impairment	23,134,611	-	166,281,268	141,698,335	331,114,214
Interest Expenses	-	-	41,347,093	22,305,730	63,652,823
<b>Total segment expenditure</b>	<b>300,217,782</b>	<b>244,786,439</b>	<b>2,171,336,733</b>	<b>911,757,332</b>	<b>3,628,098,286</b>
<b>Total segmental surplus/(deficit) before gains and losses</b>					<b>134,115,722</b>
Gains				26,098,48	26,098,480
<b>Entity's surplus (deficit) for the period</b>					<b>160,214,202</b>
<b>Total segment capital expenditure</b>					
					<b>Actual Capital Expenditure</b>
Governance and administration					56,396,341
Community and public safety					36,445,221
Economic and environmental services					71,198,081
Trading services					191,923,774

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 61. Segment information (continued)

					<b>355,963,417</b>
<b>2022</b>					
	<b>Community and public safety</b>	<b>Economic and environmental services</b>	<b>Trading Services</b>	<b>Other</b>	<b>Total</b>
<b>Revenue</b>					
Revenue from exchange transactions	(6,345,920)	29,547,824	1,981,275,557	47,008,710	2,051,486,171
Revenue from non-exchange transactions	335,451,873	92,772,560	411,560,845	605,430,514	1,445,215,792
<b>Total segment revenue</b>	<b>329,105,953</b>	<b>122,320,384</b>	<b>2,392,836,402</b>	<b>652,439,224</b>	<b>3,496,701,963</b>
<b>Expenditure</b>					
Total segment expenses	266,661,552	158,441,772	1,837,380,463	663,404,726	2,925,888,513
Depreciation and amortisation	14,732,680	124,176,529	93,856,538	2,760,110	235,525,857
Impairment loss/Reversal of impairment	-	-	-	18,955,824	18,955,824
Debt impairment	22,212,011	-	158,727,048	85,263,145	266,202,204
Interest expenses	880,843	111,222	26,549,264	25,657,466	53,198,795
<b>Total segment expenditure</b>	<b>304,487,086</b>	<b>282,729,523</b>	<b>2,116,513,313</b>	<b>796,041,271</b>	<b>3,499,771,193</b>
<b>Total segmental surplus/(deficit) before gains and losses</b>					<b>(3,069,230)</b>
Gains				23,710,167	23,710,167
<b>Entity's surplus (deficit) for the period</b>					<b>20,640,937</b>

# Mogale City Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 61. Segment information (continued)

#### Total segment capital expenditure

	<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
	<hr/> <b>330,907,287</b>

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	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>2023</b>											
<b>Financial Performance</b>											
Property rates	561,192,929	10,409,887	571,602,816	-		571,602,816	614,122,237		42,519,421	107 %	109 %
Service charges	2,027,294,271	8,483,631	2,035,777,902	-		2,035,777,902	1,977,445,313		(58,332,589)	97 %	98 %
Investment revenue	2,086,243	1,808,216	3,894,459	-		3,894,459	7,482,852		3,588,393	192 %	359 %
Transfers recognised - operational	585,233,704	(2,093,845)	583,139,859	-		583,139,859	581,604,206		(1,535,653)	100 %	99 %
Other own revenue	189,078,167	61,608,229	250,686,396	-		250,686,396	261,124,253		10,437,857	104 %	138 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>3,364,885,314</b>	<b>80,216,118</b>	<b>3,445,101,432</b>	<b>-</b>		<b>3,445,101,432</b>	<b>3,441,778,861</b>		<b>(3,322,571)</b>	<b>100 %</b>	<b>102 %</b>
Employee costs	(1,082,623,170)	89,556,231	(993,066,939)	-	63,182,370	(929,884,569)	(927,445,381)	-	2,439,188	100 %	86 %
Remuneration of councillors	(37,820,168)	(2,936,788)	(40,756,956)	-	-	(40,756,956)	(38,760,238)	-	1,996,718	95 %	102 %
Debt impairment	(261,759,315)	35,855,241	(225,904,074)		(122,346,915)	(348,250,989)	(331,114,214)	-	17,136,775	95 %	126 %
Depreciation and asset impairment	(247,277,514)	(23,769,805)	(271,047,319)		(571,828)	(271,619,147)	(267,335,399)	-	4,283,748	98 %	108 %
Interest costs	(27,139,312)	(69,000)	(27,208,312)	-	(34,000)	(27,242,312)	(63,652,823)	-	(36,410,511)	234 %	235 %
Materials and bulk purchases	(1,435,942,227)	(39,971,569)	(1,475,913,796)	-	63,952,624	(1,411,961,172)	(1,403,825,020)	-	8,136,152	99 %	98 %
Transfers and grants	(3,140,160)	(98,998)	(3,239,158)	-	76,000	(3,163,158)	(1,031,514)	-	2,131,644	33 %	33 %
Other expenditure	(504,313,693)	(162,745,641)	(667,059,334)	-	(4,258,251)	(671,317,585)	(594,933,697)	-	76,383,888	89 %	118 %
<b>Total expenditure</b>	<b>(3,600,015,559)</b>	<b>(104,180,329)</b>	<b>(3,704,195,888)</b>	<b>-</b>	<b>-</b>	<b>(3,704,195,888)</b>	<b>(3,628,098,286)</b>	<b>-</b>	<b>76,097,602</b>	<b>98 %</b>	<b>101 %</b>
<b>Surplus/(Deficit)</b>	<b>(235,130,245)</b>	<b>(23,964,211)</b>	<b>(259,094,456)</b>	<b>-</b>		<b>(259,094,456)</b>	<b>(186,319,425)</b>		<b>72,775,031</b>	<b>72 %</b>	<b>79 %</b>

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	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	340,293,456	(16,354,179)	323,939,277	-		323,939,277	308,974,286		(14,964,991)	95 %	91 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	37,559,341		37,559,341	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>105,163,211</b>	<b>(40,318,390)</b>	<b>64,844,821</b>	<b>-</b>		<b>64,844,821</b>	<b>160,214,202</b>		<b>95,369,381</b>	<b>247 %</b>	<b>152 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>105,163,211</b>	<b>(40,318,390)</b>	<b>64,844,821</b>	<b>-</b>		<b>64,844,821</b>	<b>160,214,202</b>		<b>95,369,381</b>	<b>247 %</b>	<b>152 %</b>

#### Capital expenditure and funds sources

Total capital expenditure	424,391,137	(53,462,754)	370,928,383	-		370,928,383	355,963,418		(14,964,965)	96 %	84 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	340,293,456	(16,354,179)	323,939,277	-		323,939,277	308,974,287		(14,964,990)	95 %	91 %
Internally generated funds	84,097,681	(37,108,575)	46,989,106	-		46,989,106	46,989,131		25	100 %	56 %
<b>Total sources of capital funds</b>	<b>424,391,137</b>	<b>(53,462,754)</b>	<b>370,928,383</b>	<b>-</b>		<b>370,928,383</b>	<b>355,963,418</b>		<b>(14,964,965)</b>	<b>96 %</b>	<b>84 %</b>

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	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	404,022,856	(142,996,359)	261,026,497	-		261,026,497	359,332,741		98,306,244	138 %	89 %
Net cash from (used) investing	(424,391,137)	53,462,754	(370,928,383)	-		(370,928,383)	(325,878,707)		45,049,676	88 %	77 %
Net cash from (used) financing	(30,695,663)	-	(30,695,663)	-		(30,695,663)	(30,788,853)		(93,190)	100 %	100 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(51,063,944)</b>	<b>(89,533,605)</b>	<b>(140,597,549)</b>	<b>-</b>		<b>(140,597,549)</b>	<b>2,665,181</b>		<b>143,262,730</b>	<b>(2)%</b>	<b>(5)%</b>
Cash and cash equivalents at the beginning of the year	64,924,661	76,911,873	141,836,534	-		141,836,534	141,836,531		(3)	100 %	218 %
<b>Cash and cash equivalents at year end</b>	<b>13,860,717</b>	<b>(12,621,732)</b>	<b>1,238,985</b>	<b>-</b>		<b>1,238,985</b>	<b>144,501,712</b>		<b>(143,262,727)</b>	<b>11,663 %</b>	<b>1,043 %</b>