



METSIMAHOLO LOCAL MUNICIPALITY
(Registration number FS 204 - Local Municipality)
Audited Annual Financial Statements
for the year ended 30 June 2023

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	FS 204 - Local Municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development.
The following is included in the scope of operation	Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (supplying water to the public); and Rates and general services (all types of services rendered by the municipality, excluding the supply of housing to the community, however including the rental of units owned by the municipality to public and staff).
Mayoral committee	
Executive Mayor	Cllr Zwane ZJ
Speaker	Cllr Fisher L
Chief Whip	Cllr Mosokweni FD
Mayoral Committee	Cllr Mbana MT Cllr van der Merwe FJ Cllr Barnard JJ Cllr Rankoe TK Cllr Meyer R Cllr Makhema JM
Councillors	Cllr Radebe MJ Cllr Molawa JM Cllr Poho MS Cllr Soetsang TL Cllr Mofokeng SM Cllr Nkheloane M Cllr Mahlaela PM Cllr Nhlapo LL Cllr Mqwathi ME Cllr Mtshali NM Cllr Rani DV Cllr Makhefu LA Cllr Mosokweni FD Cllr van der Merwe FJ Cllr van Heerden LJ Cllr Barnard JJ Cllr Rankoe TK Cllr Day L Cllr Mthetho L Cllr Fisher L

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

General Information

Cllr Sehaole TG
Cllr Meyer R
Cllr Mozolo MB
Cllr Tshongwe SL
Cllr Zwane ZJ
Cllr Makhema JM
Cllr Mofokeng TH
Cllr Thulo TD
Cllr Chalala LJ
Cllr Mbana MT
Cllr Motaung TA
Cllr Masiteng JM
Cllr Motjeane SM
Cllr Motsapi MS
Cllr Mokwai MS
Cllr Tsotetsi JL
Cllr Mampana JT
Cllr Mbikolo DK
Cllr Maseko ME
Cllr Mofokeng MV
Cllr Mofokeng DA
Cllr Geyser EJ
Cllr Pienaar M
Cllr du Toit T
Cllr Malindi MJ
Cllr Kumalo AM

Grading of local authority

Metsimaholo Local Municipality is a grade 9 local authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 High Capacity.

FS 204 - Local Municipality

Acting Accounting Officer

FJ Motloung

Chief Finance Officer (CFO)

Hopolang Lebusa

Accounting Officer

FJ Motloung

Registered office

Civic centre
Fichardt street
Sasolburg
1947

Bankers

Standard Bank of South Africa Ltd
ABSA Ltd
Investec Bank
Nedbank
First National Bank

Auditors

Auditor-General of South Africa

Attorneys

Katake Attoreny
Khumalo Masondo Attorneys Incorporated

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

General Information

Lawrence Melato Incorporated
Nchupetsang Incorporated Attorneys
Ponoane Attorney, Notaries and Conveyancers
Popela Maake Incorporated
Raphela Inc. Attorneys
Verveen Attorneys
Lizel Venter Attorneys

Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act (Act No. 56 of 2003)
Local Government: Municipal Systems Act (Act No. 32 of 2000)
Local Government: Municipal Structures Act (Act No. 117 of 1998)
Constitution of the Republic of South Africa (Act No. 108 of 1996)
Municipal Property Rates Act (Act No.6 of 2004)
Division of Revenue Act (Act No.9 of 2021)

Jurisdiction

Metsimaholo Local Municipality is a local government institution and is located in the Free State Province of South Africa and is one of four municipalities under the jurisdiction of the Fezile Dabi District Municipality.

Cities/Towns:

Sasolburg, Oranjeville, Deneysville, Viljoensdrift, Zamdela, Refengkgotso and Metsimaholo.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Index

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

	Page
Accounting Officer's Responsibilities and Approval	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Statement of Comparison of Budget and Actual Amounts	11 - 15
Accounting Policies	16 - 52
Notes to the Audited Annual Financial Statements	53 - 132

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Index

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
Cllr	Councillor
GRAP	Generally Recognised Accounting Practice
AGSA	Auditor General of South Africa
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SARS	South African Revenue Services
MBRR	Municipal Budget and Reporting Regulations
BCEA	Basic Conditions of Employment Act
ASB	Accounting Standards Board
WIP	Work In Progress
Dept	Department
MIG	Management Infrastructure Grant
IPSAS	International Public Sector Accounting Standards
EPWP	Expanded Public Works Programme
MEC	Member of the Executive Council
WSIG	Water Services Infrastructure Grant
LSA	Long service awards
PEMA	Post Employment Medical Aid
EPWP	Expanded Public Works Programme
INEP	Integrated National Electrification Programme
FMG	Financial Management Grant

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The municipality is wholly dependent on the municipality for continued funding of operations. The audited 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 are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's audited annual financial statements. The audited annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The audited annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

FJ Motloung
Acting Accounting Officer

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1 668 735	1 732 408
Receivables from exchange transactions	13	130 004 079	140 843 865
Receivables from non-exchange transactions	5&6	42 914 767	44 469 970
VAT receivable	57	162 315 616	170 253 025
Cash and cash equivalents	7	160 687 820	115 028 467
		497 591 017	472 327 735
Non-Current Assets			
Investment property	8	241 036 249	242 078 778
Property, plant and equipment	9	1 391 227 276	1 363 609 691
Intangible assets	10	3 510 178	5 145 726
Heritage assets	11	4 428 972	4 428 972
Other financial assets	12	2 703 270	2 450 593
Receivables from exchange transactions	4	2 209 333	2 737 459
		1 645 115 278	1 620 451 219
Total Assets		2 142 706 295	2 092 778 954
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	299 665 147	298 630 794
Consumer deposits	15	29 270 949	28 101 293
Employee benefit obligation	16	3 707 991	4 786 000
Unspent conditional grants and receipts	17	6 902 000	9 991 400
Finance lease obligation	18	-	37 617
Provisions	19	88 026 335	79 397 766
		427 572 422	420 944 870
Non-Current Liabilities			
Employee benefit obligation	16	45 444 132	50 208 000
Provisions	19	15 328 588	13 727 005
		60 772 720	63 935 005
Total Liabilities		488 345 142	484 879 875
Net Assets		1 654 361 153	1 607 899 079
Accumulated surplus		1 654 361 153	1 607 899 079
Total Net Assets		1 654 361 153	1 607 899 079

* See Note 47

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	875 648 750	880 215 926
Sale of goods and rendering of services	21	5 967 483	6 972 794
Rental of facilities and equipment	22	6 514 589	7 000 209
Interest on receivables	23	84 089 787	51 553 068
Interest on investments	24	13 828 863	5 264 768
Operational revenue		159 323	239 151
Dividends		132 794	123 203
Total revenue from exchange transactions		986 341 589	951 369 119
Revenue from non-exchange transactions			
Property rates	25	211 327 259	211 195 770
Service charges	20	3 770 284	2 245 297
Fines, Penalties and Forfeits	26	2 785 750	4 234 000
Licences and Permits		6 980	14 650
Transfers and subsidies	27	396 717 837	411 535 183
Interest on receivables	23	16 149 465	9 669 232
Total revenue from non-exchange transactions		630 757 575	638 894 132
Total revenue		1 617 099 164	1 590 263 251
Expenditure			
Employee related costs	28	(337 088 489)	(330 950 603)
Remuneration of councillors	29	(19 947 189)	(19 414 960)
Depreciation and amortisation	30	(99 005 233)	(73 555 817)
Finance costs	31	(19 200 469)	(17 584 285)
Bulk purchases	32	(524 596 651)	(510 825 603)
Contracted services	33	(73 891 049)	(75 609 211)
Lease rentals on operating lease	34	(9 376 930)	(2 399 981)
Debt Impairment	35	(417 721 762)	(512 076 734)
Transfers and Subsidies	36	(256 730)	(349 520)
Operating costs	37	(39 540 980)	(52 784 304)
Inventory consumed	38	(13 147 194)	(11 138 556)
Repairs and maintenance	39	(12 816 958)	(32 445 592)
Total expenditure		(1 566 589 634)	(1 639 135 166)
Operating surplus (deficit)		50 509 530	(48 871 915)
Loss on disposal of assets and liabilities		(14 618 973)	(640 835)
Fair value adjustments on investments	42	252 677	(391 927)
Actuarial gains/losses	16	10 739 866	15 243 377
Inventories losses/write-downs		(421 026)	418 844
		(4 047 456)	14 629 459
Surplus (deficit) for the year		46 462 074	(34 242 456)

* See Note 47

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	1 489 747 818	1 489 747 818
Changes in net assets		
Prior year adjustments	152 393 717	152 393 717
Net income (losses) recognised directly in net assets	152 393 717	152 393 717
Surplus for the year	(34 242 456)	(34 242 456)
Total recognised income and expenses for the year	118 151 261	118 151 261
Total changes	118 151 261	118 151 261
Opening balance as previously reported	1 670 242 351	1 670 242 351
Adjustments		
Correction of errors	103 713 374	103 713 374
Prior year adjustments 47	(166 056 646)	(166 056 646)
Restated* Balance at 01 July 2022 as restated*	1 607 899 079	1 607 899 079
Changes in net assets		
Surplus for the year	46 462 074	46 462 074
Total changes	46 462 074	46 462 074
Balance at 30 June 2023	1 654 361 153	1 654 361 153
Note(s)		

* See Note 47

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		786 186 898	807 428 940
Grants		393 628 436	421 254 020
Interest income		13 828 863	5 264 768
Dividends income		132 794	123 203
Other receipts		15 434 125	18 460 802
		<u>1 209 211 116</u>	<u>1 252 531 733</u>
Payments			
Employee costs		(354 717 678)	(347 734 078)
Suppliers		(664 626 146)	(689 886 049)
Finance costs		-	-
		<u>(1 019 343 824)</u>	<u>(1 037 620 127)</u>
Net cash flows from operating activities	41	<u>189 867 292</u>	<u>214 911 606</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(138 862 084)	(143 154 457)
Proceeds from sale of property, plant and equipment	9	410 702	-
Net cash flows from investing activities		<u>(138 451 382)</u>	<u>(143 154 457)</u>
Cash flows from financing activities			
Movement in other liability 1		(5 718 300)	(4 356 313)
Finance lease payments		(38 254)	(505 147)
Net cash flows from financing activities		<u>(5 756 554)</u>	<u>(4 861 460)</u>
Net increase/(decrease) in cash and cash equivalents		<u>45 659 356</u>	<u>66 895 689</u>
Cash and cash equivalents at the beginning of the year		115 028 467	48 132 763
Cash and cash equivalents at the end of the year	7	<u>160 687 823</u>	<u>115 028 452</u>

The accounting policies on pages 16 to 52 and the notes on pages 53 to 132 form an integral part of the audited annual financial statements.

* See Note 47

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 117 968 870	(87 208 650)	1 030 760 220	875 648 750	(155 111 470)
Sale of goods	28 213 240	(18 230 000)	9 983 240	5 967 483	(4 015 757)
Rental of facilities and equipment	6 307 140	(252 000)	6 055 140	6 514 589	459 449
Interest on investments	3 000 000	-	3 000 000	13 828 863	10 828 863
Interest on investments	43 400 000	-	43 400 000	84 089 787	40 689 787
Operational revenue	280 000	-	280 000	159 323	(120 677)
Dividends	100 000	-	100 000	132 794	32 794
Recoveries	119 186 618	-	119 186 618	-	(119 186 618)

Total revenue from exchange transactions **1 318 455 868** **(105 690 650)** **1 212 765 218** **986 341 589** **(226 423 629)**

Revenue from non-exchange transactions

Property rates	194 330 060	-	194 330 060	211 327 259	16 997 199
Service charges	3 859 950	-	3 859 950	3 770 284	(89 666)
Fines, Penalties and Forfeits	13 000 000	(9 520 000)	3 480 000	2 785 750	(694 250)
Licences and Permits	105 000	-	105 000	6 980	(98 020)
Transfer and subsidies	410 174 000	5 099 999	415 273 999	396 717 837	(18 556 162)
Interest on receivables	9 000 000	-	9 000 000	16 149 465	7 149 465

Total revenue from non-exchange transactions **630 469 010** **(4 420 001)** **626 049 009** **630 757 575** **4 708 566**

Total revenue **1 948 924 878** **(110 110 651)** **1 838 814 227** **1 617 099 164** **(221 715 063)**

Expenditure

Employee related costs	(434 807 480)	35 997 778	(398 809 702)	(337 088 489)	61 721 213
Remuneration of councillors	(20 869 770)	-	(20 869 770)	(19 947 189)	922 581
Depreciation and amortisation	(86 279 390)	-	(86 279 390)	(99 005 233)	(12 725 843)
Finance costs	(5 815 880)	5 367 000	(448 880)	(19 200 469)	(18 751 589)
Bulk purchases	(363 153 130)	9 500 000	(353 653 130)	(524 596 651)	(170 943 521)
Contracted Services	(114 298 130)	26 637 000	(87 661 130)	(73 891 049)	13 770 081
Lease rentals on operating lease	(7 953 960)	(1 533 500)	(9 487 460)	(9 376 930)	110 530
Debt Impairment	(285 690 090)	-	(285 690 090)	(417 721 762)	(132 031 672)
Transfers and Subsidies	(366 000)	(69 000)	(435 000)	(256 730)	178 270
General Expenses	(446 869 608)	6 388 067	(440 481 541)	(65 505 132)	374 976 409

Total expenditure **(1 766 103 438)** **82 287 345** **(1 683 816 093)** **(1 566 589 634)** **117 226 459**

Operating surplus **182 821 440** **(27 823 306)** **154 998 134** **50 509 530** **(104 488 604)**

Loss on disposal of assets and liabilities - - - (14 618 973) (14 618 973)

Fair value adjustments - - - 252 677 252 677

Actuarial gains/losses - - - 10 739 866 10 739 866

Inventories losses/write-downs - - - (421 026) (421 026)

- **-** **-** **(4 047 456)** **(4 047 456)**

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	182 821 440	(27 823 306)	154 998 134	46 462 074	(108 536 060)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	182 821 440	(27 823 306)	154 998 134	46 462 074	(108 536 060)	

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	1 346 886	5 000 000	6 346 886	1 668 735	(4 678 151)
Receivables from exchange transactions	(56 000 000)	-	(56 000 000)	-	56 000 000
Receivables from non-exchange transactions	(24 898 188)	-	(24 898 188)	42 914 767	67 812 955
VAT receivable	117 355 443	-	117 355 443	162 315 616	44 960 173
Consumer debtors	325 419 734	-	325 419 734	130 004 079	(195 415 655)
Cash and cash equivalents	97 475 932	-	97 475 932	160 687 820	63 211 888
	460 699 807	5 000 000	465 699 807	497 591 017	31 891 210

Non-Current Assets

Investment property	238 172 661	-	238 172 661	241 036 249	2 863 588
Property, plant and equipment	1 583 771 764	(37 974 357)	1 545 797 407	1 391 227 276	(154 570 131)
Intangible assets	(1 071 904)	(300 000)	(1 371 904)	3 510 178	4 882 082
Heritage assets	4 427 970	-	4 427 970	4 428 972	1 002
Other financial assets	2 842 521	-	2 842 521	2 703 270	(139 251)
Receivables from exchange transactions	1 847 746	-	1 847 746	2 209 333	361 587
	1 829 990 758	(38 274 357)	1 791 716 401	1 645 115 278	(146 601 123)

Total Assets	2 290 690 565	(33 274 357)	2 257 416 208	2 142 706 295	(114 709 913)
---------------------	----------------------	---------------------	----------------------	----------------------	----------------------

Liabilities

Current Liabilities

Finance lease obligation	21 503 875	-	21 503 875	-	(21 503 875)
Payables from exchange transactions	301 368 120	-	301 368 120	299 665 147	(1 702 973)
Consumer deposits	28 105 085	-	28 105 085	29 270 949	1 165 864
Employee benefit obligation	4 356 313	-	4 356 313	3 707 991	(648 322)
Unspent conditional grants and receipts	-	-	-	6 902 000	6 902 000
Provisions	-	-	-	88 026 335	88 026 335
	355 333 393	-	355 333 393	427 572 422	72 239 029

Non-Current Liabilities

Employee benefit obligation	70 770 031	-	70 770 031	45 444 132	(25 325 899)
Provisions	93 063 313	-	93 063 313	15 328 588	(77 734 725)
	163 833 344	-	163 833 344	60 772 720	(103 060 624)

Total Liabilities	519 166 737	-	519 166 737	488 345 142	(30 821 595)
--------------------------	--------------------	---	--------------------	--------------------	---------------------

Net Assets	1 771 523 828	(33 274 357)	1 738 249 471	1 654 361 153	(83 888 318)
-------------------	----------------------	---------------------	----------------------	----------------------	---------------------

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 771 523 828	(33 274 357)	1 738 249 471	1 654 361 153	(83 888 318)	

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Service charges:

Electricity revenue is below budget due to load shedding, and increased distribution losses. Revenue enhancement strategy must be fully implemented in order to collect service charges as anticipated.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	153 090 840	-	153 090 840	-	(153 090 840)	
Service charges	959 587 520	-	959 587 520	-	(959 587 520)	
Transfers and subsidies	163 426 000	-	163 426 000	-	(163 426 000)	
Dividends or similar distributions received	100 000	-	100 000	-	(100 000)	
Other revenue	288 451 195	-	288 451 195	-	(288 451 195)	
	1 564 655 555	-	1 564 655 555	-	(1 564 655 555)	
Payments						
Suppliers and employees	(1 270 444 331)	-	(1 270 444 331)	-	1 270 444 331	
Finance costs	(8 032 290)	-	(8 032 290)	-	8 032 290	
	(1 278 476 621)	-	(1 278 476 621)	-	1 278 476 621	
Net cash flows from operating activities	286 178 934	-	286 178 934	-	(286 178 934)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(309 639 875)	-	(309 639 875)	-	309 639 875	
Decrease (increase) in non-current receivables	(1 810 074)	-	(1 810 074)	-	1 810 074	
Net cash flows from investing activities	(311 449 949)	-	(311 449 949)	-	311 449 949	
Cash flows from financing activities						
Proceeds from other financial liabilities	(2 963 570)	-	(2 963 570)	-	2 963 570	
Repayment of borrowing	56 000 000	-	56 000 000	-	(56 000 000)	
Net cash flows from financing activities	53 036 430	-	53 036 430	-	(53 036 430)	
Net increase/(decrease) in cash and cash equivalents	27 765 415	-	27 765 415	-	(27 765 415)	
Cash and cash equivalents at the beginning of the year	66 027 902	-	66 027 902	-	(66 027 902)	
Cash and cash equivalents at the end of the year	93 793 317	-	93 793 317	-	(93 793 317)	

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
-----------------	---------	------	------

1. Presentation of Audited Annual Financial Statements

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

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

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

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

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the going concern assumption.

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 Significant judgements and sources of estimation uncertainty

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Loans and receivables

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

The impairment for loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and poor payment history/default of payments are all considered indicators of impairment.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the selling price assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates and inflation interest].

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

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

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

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

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non-exchange receivables.

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Pre-paid electricity

Pre-paid electricity is only recognised as electricity when consumed. The estimate is based on pre-paid electricity sold at year end, but still unused.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

Water inventory

The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.4 Investment property

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

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

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

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

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

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

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

Cost model

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

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

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

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

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

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

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	50 years
Plant and machinery	Straight-line	3-15 years
Furniture and fixtures	Straight-line	3-30 years
Motor vehicles	Straight-line	3-20 years
IT equipment	Straight-line	3-10 years
Infrastructure	Straight-line	3-50 years
Community	Straight-line	50 years

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the audited financial statements. The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential. The municipality has classified computer software as intangible assets.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The municipality does not have internally generated Intangible Assets.

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

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

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

Intangible assets are derecognised:

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

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

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality has classified a site of historical significance and council regalia as heritage assets.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Heritage assets (continued)

Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 6 - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

Subsequent to initial measurement, classes of heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

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

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

Derecognition

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

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

1.9 Financial instruments

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

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

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

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

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Taxes and transfers payable	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is: combined instrument that is required to be measured at fair value; or an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

1.10 Statutory receivables

Identification

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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.

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

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

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

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

Derecognition

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Statutory receivables (continued)

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.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset for distribution if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

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

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

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

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

Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.13 Fruitless and Wasteful expenditure recoverable

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note to the financial statements - Fruitless and wasteful expenditure

1.14 Impairment of cash-generating assets

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

- the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

Designation

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

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

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

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

- consideration is given to the nature of the asset, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Designation

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

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

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

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

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Value in use

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 following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. 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 current 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 the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.16 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months' consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.17 Value-added tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality accounts for VAT on the payment basis.

1.18 Employee benefits

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

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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 the municipality.

A contingent liability is:

- 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added 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. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to leases. Refer to notes on Finance lease obligation and Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements.

The municipality discloses capital commitments (Property Plant and Equipment, Investment properties, Intangible assets and Heritage assets) in the financial statements, as well as future minimum lease payments for each of the following periods if applicable:

- Within one year;
- In second to fifth year inclusive; and
- Later than five years

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Sale of goods

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

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Rendering of services

Service charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Revenue arising from application of the approved tariff of charges is recognised when the relevant services is rendered by allaying the relevant published tariff.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals Received

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

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

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

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

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

Interest and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate methods.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue from exchange transactions (continued)

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

1.22 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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

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

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

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines constitute both spotfines and summonses.

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables

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

Gifts and donations, including goods in-kind

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial

position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

1.23 Investment income

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

1.24 Borrowing costs

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.24 Borrowing costs (continued)

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

1.25 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 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.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.26 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of classification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

Refer to note to the financial statements - Comparative figures.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note to the financial statements - Unauthorised expenditure

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

For details on fruitless and wasteful expenditure, refer to note the financial statements - Fruitless and wasteful expenditure.

1.29 Irregular expenditure

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

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

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

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

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note to the financial statements - Irregular expenditure.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.30 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.31 Budget information

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

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

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

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

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budget and actual amount is material.

1.32 Related parties

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

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

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

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

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.32 Related parties (continued)

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

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

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

1.33 Events after reporting date

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

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

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

The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

The municipality has considered the impact of COVID -19 on its operations during the year and its future operations.

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

1.34 Accumulated surplus/(deficit)

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

1.35 Grants in Aid

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

- receive any goods or services directly in return, as would be expected in a purchase of 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 that the event giving rise to the transfer has occurred.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2009	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact

3. Inventories

Water - at cost	641 281	681 293
Fuel (Diesel and Petrol)	473 178	104 590
Consumables: Stores and materials	554 276	946 525
	1 668 735	1 732 408

Obsolete and/or Lost Inventories to the amount of R421 026 (2022: R66 292) were written off and recognised in Profit and Loss during the period.

The cost of Consumables and Fuel recognised as an expense during the year was R7 296 259 (2022: R6 013 327)

Inventory pledged as security

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

4. Receivables from exchange transactions

Trade debtors	2 209 333	2 737 459
---------------	-----------	-----------

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R - (2022: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Trade and other receivables impaired

As of 30 June 2023, trade and other receivables of R - (2022: R -) were impaired and provided for.

The amount of the provision was R - as of 30 June 2023 (2022: R -).

The ageing of these loans is as follows:

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
4. Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables		
5. Receivables from non-exchange transactions		
Consumer receivables - property rates	34 140 954	35 656 993
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	213 158	213 158
Fines	336 975	556 380
Service debtors: availability charges	826 449	887 557
LGSETA Interns	755 080	755 080
Deposits	6 642 151	6 400 802
	42 914 767	44 469 970
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	81 791 745	81 903 982
Fines	336 975	556 380
	82 128 720	82 460 362
Financial asset receivables included in receivables from non-exchange transactions above	(39 213 953)	(37 990 392)
Total receivables from non-exchange transactions	42 914 767	44 469 970

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Sasolburg.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of the Metsimaholo Local Municipality.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges include contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment / non appearance

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the prime rate plus one percent.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R- (2022: R-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

5. Receivables from non-exchange transactions (continued)

Factors the entity considered in assessing statutory receivables past due but not impaired

[State factors]

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R- (2022: R-) were impaired and provided for.

The amount of the provision was R- as of 30 June 2023 (2022: R-).

The ageing of these loans is as follows:

Factors the entity considered in assessing statutory receivables impaired

[State factors]

Reconciliation of provision for impairment for statutory receivables

Opening balance	(2 282 360 143)	1 745 568 234
Provision for impairment	(457 883 130)	(553 013 431)
Amounts written off as uncollectible	6 548 927	16 221 522
	(2 733 694 346)	(2 282 360 143)

6. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	298 564 717	248 437 734
--------------------------	-------------	-------------

Less: Allowance for impairment

Consumer debtors - Rates	(264 423 763)	(212 780 741)
--------------------------	---------------	---------------

Net balance

Consumer debtors - Rates	34 140 954	35 656 993
--------------------------	------------	------------

Rates

Current (0 -30 days)	11 172 002	11 125 766
31 - 60 days	3 476 288	4 156 749
61 - 90 days	2 042 692	2 073 258
91 - 120 days	17 449 972	18 301 220
	34 140 954	35 656 993

Reconciliation of allowance for impairment

Balance at beginning of the year	(212 780 741)	(178 269 429)
Contributions to allowance	(51 643 022)	(34 511 312)
	(264 423 763)	(212 780 741)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
7. Cash and cash equivalents (continued)		
Cash on hand	5 150	5 150
Bank balances	14 396 623	24 912 605
Short-term deposits	146 286 047	90 110 712
	160 687 820	115 028 467

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

7. Cash and cash equivalents (continued)

The municipality had the following investment accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Absa Bank - Call Account 907 840 0708	-	73 391	73 391	-	73 391	73 391
Absa Bank Invest Tracker 935 502 8112	32 832 234	3 248 538	8 348 226	32 832 239	3 248 538	8 348 226
Standard Bank - Call Deposit account 228 505 348 005	17 653 753	18 656 853	1 045 403	17 653 753	18 790 856	1 045 403
Standard Bank - Call Deposit account 228 505 348 007	-	4 990 900	2 036 900	-	5 010 385	2 036 900
Standard Bank - Notice Deposit 39 853 1641 009	5 613 986	5 446 854	-	5 613 986	5 446 854	-
Nedbank - Call deposit Account 03 7881033088 000060	15 111 692	19 111 692	1 111 692	15 111 692	19 111 692	1 111 692
Nedbank - Call deposit Account 03 7881033088 000074	3 983 918	3 983 918	2 042 918	3 983 918	3 983 918	2 042 978
Nedbank - Call deposit Account 03 7881033088 000121	-	-	-	-	-	-
Nedbank - Call deposit Account 03 7881033088 000122	-	-	-	-	-	-
Nedbank - Call deposit Account 03 7881033088 000123	-	-	-	-	-	-
Nedbank - Call deposit Account 03 7881033088 000124	-	-	-	-	-	-
Nedbank - Call deposit Account 03 7881033088 000125	-	-	-	-	-	-
Nedbank - Call deposit Account 03 7881033088 000126	5 000 000	-	-	5 000 000	-	-
Investec Call Account 1100 523923 500	39 798 262	19 664 707	16 665 636	39 798 262	19 664 707	16 665 636
Investec Call Account 1100 523923 620	-	36 390	4 059 735	-	36 390	4 059 735
FNB Call Account 627 7287 8909	24 812 674	14 743 981	3 229 077	24 812 674	14 743 981	3 229 077
Total	144 806 519	89 957 224	38 612 978	144 806 524	90 110 712	38 613 038

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Short-term fixed and notice Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4% to 5.05% per annum.

Funds reserved to support unspent grants:

Integrated National Electrification	2 000	2 000
Expanded Public Works Program Grant	8 484	8 484
Municipal Infrastructure Grant	26 442	9 677 741
Sector Education Training Authority	565 722	303 175
Finance Manangement Grant (FMG)	1 760 900	-
Water Services Infrastructure Grant (WSIG)	1 722 013	-
	4 085 561	9 991 400

Cash and cash equivalents pledged as collateral

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
7. Cash and cash equivalents (continued)		
Total financial assets pledged as collateral for Guarantee: Eskom as electricity deposits	990 000	990 000
Total financial assets pledged as collateral for Guarantee: Post Office as postal deposits	80 000	80 000
	1 070 000	1 070 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Primary Bank Account 520 0000 038	9 035 142	6 117 922	-	7 088 906	6 117 322	-
ABSA Bank - Primary Bank Account 520 0000 062	-	-	-	1 649 620	(1 046)	-
Standard Bank - Revenue Account 33 197 836 9	-	-	-	(1 900)	249 640	-
Standard Bank - 24 034 786 2	5 615 316	18 869 960	-	5 659 997	18 546 689	-
Total	14 650 458	24 987 882	-	14 396 623	24 912 605	-

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

Cash on hand

Cash Floats and Advances	5 150	5 150
	5 150	5 150

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

8. Investment property

	2023			2022		
	Cost Valuation	/Accumulated depreciation and accumulated impairment	Carrying value	Cost Valuation	/Accumulated depreciation and accumulated impairment	Carrying value
Investment property	271 358 199	(30 321 950)	241 036 249	271 358 199	(29 279 421)	242 078 778

Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	242 078 778	(1 042 529)	241 036 249

Reconciliation of investment property - 2022

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	240 000 441	(240 181 961)	242 290 820	(30 522)	242 078 778

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

2023

2022

8. Investment property (continued)

- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2023			2022		
	Cost Valuation	/Accumulated depreciation and accumulated impairment	Carrying value	Cost Valuation	/Accumulated depreciation and accumulated impairment	Carrying value
Buildings	338 667 035	(222 227 047)	116 439 988	338 981 054	(218 651 197)	120 329 857
Leasehold property	9 375 436	(8 081 962)	1 293 474	9 780 260	(5 266 527)	4 513 733
Plant and machinery	59 552 929	(36 330 672)	23 222 257	61 957 834	(34 874 761)	27 083 073
Furniture and fixtures	4 414 481	(3 301 992)	1 112 489	4 158 070	(2 516 896)	1 641 174
Motor vehicles	23 600 944	(13 756 621)	9 844 323	23 283 761	(12 844 007)	10 439 754
IT equipment	18 400 117	(15 635 781)	2 764 336	17 778 249	(12 392 719)	5 385 530
Infrastructure	2 605 752 826	(1 465 074 450)	1 140 678 376	2 487 875 122	(1 407 732 365)	1 080 142 757
Community	177 862 648	(81 990 615)	95 872 033	185 121 911	(71 048 098)	114 073 813
Total	3 237 626 416	(1 846 399 140)	1 391 227 276	3 128 936 261	(1 765 326 570)	1 363 609 691

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers out	Transfers	Derecognitions	Depreciation	Impairment loss	Total
Land and buildings	120 329 857	76 800	-	-	(173 246)	(2 063 996)	(1 160 845)	116 439 988
Leasehold property	4 513 733	-	-	-	(118 074)	(905 972)	-	1 293 474
Plant and machinery	27 083 073	511 388	-	-	(1 421 916)	(4 337 755)	(645 269)	23 222 257
Furniture and fixtures	1 641 174	55 755	-	-	-	(330 921)	(6 544)	1 112 489
Motor vehicles	10 439 754	534 783	-	-	(138 176)	(1 572 738)	(314 425)	9 844 323
IT equipment	5 385 530	439 030	-	-	-	(1 352 277)	(88 769)	2 764 336
Infrastructure	1 080 142 757	133 354 806	(13 645 811)	13 645 811	(10 689 750)	(59 049 597)	(4 649 408)	1 140 678 376
Community	114 073 813	3 889 522	-	-	(2 488 513)	(10 106 635)	(9 742 002)	95 872 033
	1 363 609 691	138 862 084	(13 645 811)	13 645 811	(15 029 675)	(79 719 891)	(16 607 262)	1 391 227 276

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Donations	Transfers out	Transfers	Depreciation	Total
Land and buildings	126 070 006	-	-	(4 159 457)	-	(1 580 692)	120 329 857
Leasehold property	5 905 192	-	-	-	(357 535)	(1 033 924)	4 513 733
Plant and machinery	29 550 130	499 758	513 451	-	-	(3 480 266)	27 083 073
Furniture and fixtures	1 182 517	352 050	249 719	-	-	(143 112)	1 641 174
Motor vehicles	10 946 327	-	450 000	107 696	-	(1 064 269)	10 439 754
IT equipment	12 705 059	12 225 055	-	-	(18 689 360)	(855 224)	5 385 530
Infrastructure	981 236 770	126 273 181	11 120 859	(34 110 382)	54 936 478	(59 314 149)	1 080 142 757
Community	112 832 432	3 804 413	2 567 847	-	-	(5 130 879)	114 073 813
	1 280 428 433	143 154 457	14 901 876	(38 162 143)	35 889 583	(72 602 515)	1 363 609 691

Expenditure incurred to repair and maintain property, plant and equipment

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.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Intangible assets

	2023			2022		
	Cost Valuation	/Accumulated amortisation and accumulated impairment	Carrying value	Cost Valuation	/Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	6 943 411	(5 664 361)	1 279 050	6 943 411	(6 120 138)	823 273
Computer software, other	13 290 194	(11 059 066)	2 231 128	13 290 194	(8 967 741)	4 322 453
Total	20 233 605	(16 723 427)	3 510 178	20 233 605	(15 087 879)	5 145 726

Reconciliation of intangible assets - 2023

	Opening balance	Other changes, movements	Amortisation	Total
Patents, trademarks and other rights	823 273	-	(438 531)	1 279 050
Computer software, other	4 322 453	(2 436 810)	(978 822)	2 231 128
	5 145 726	(2 436 810)	(1 417 353)	3 510 178

Reconciliation of intangible assets - 2022

	Opening balance	Other changes, movements	Amortisation	Total
Patents, trademarks and other rights	1 033 471	-	(210 198)	823 273
Computer software, other	2 598 226	2 436 810	(712 583)	4 322 453
	3 631 697	2 436 810	(922 781)	5 145 726

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

11. Heritage assets

	2023		2022	
	Cost Valuation	/Accumulated impairment losses	Carrying value Cost Valuation	/Accumulated impairment losses
Art Collections, antiquities and exhibits	771	-	771	771
Historical buildings	268 203	(232)	267 971	268 204
Recreational parks	4 160 230	-	4 160 230	4 160 229
Total	4 429 204	(232)	4 428 972	4 429 204

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	771	771
Historical buildings	267 972	267 971
Recreational parks	4 160 229	4 160 230
	4 428 972	4 428 972

Reconciliation of heritage assets 2022

	Opening balance	Disposals	Transfers received	Transfers	Impairment losses recognised	Total
Art Collections, antiquities and exhibits	1	(1)	771	-	-	771
Historical buildings	829 511	(268 511)	268 743	(562 003)	232	267 972
Recreational parks	3 598 457	-	-	561 772	-	4 160 229
	4 427 969	(268 512)	269 514	(231)	232	4 428 972

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
12. Other financial assets		
Designated at fair value		
Listed shares - Sanlam shares	2 690 460	2 437 783
At amortised cost		
Other financial assets	12 810	12 810
Total other financial assets	2 703 270	2 450 593
Non-current assets		
Designated at fair value	2 690 460	2 437 783
At amortised cost	12 810	12 810
	2 703 270	2 450 593
13. Receivables from exchange transactions		
Gross balances		
Electricity	178 843 271	151 307 255
Water	1 963 939 572	1 677 567 700
Sewerage	104 070 960	83 464 848
Refuse	149 868 391	115 278 557
Sundry receivables	186 439 357	169 299 886
Other receivables	1 976 394	1 953 144
	2 585 137 945	2 198 871 390
Less: Allowance for impairment		
Electricity	(144 613 009)	(113 266 441)
Water	(1 891 895 597)	(1 598 101 201)
Sewerage	(96 022 946)	(75 473 134)
Refuse	(142 815 258)	(109 879 347)
Sundry receivables	(179 787 056)	(161 307 402)
	(2 455 133 866)	(2 058 027 525)
Net balance		
Electricity	34 230 262	38 040 814
Water	72 043 975	79 466 499
Sewerage	8 048 014	7 991 714
Refuse	7 053 133	5 399 210
Sundry receivables	6 652 301	7 992 484
Other receivables	1 976 394	1 953 144
	130 004 079	140 843 865
Other receivables consists of the following:		
R/D cheques	-	20 199
Merchandising, Jobbing and Contracts	467 648	467 648
Control, Clearing and Interface Accounts	1 508 746	1 485 496
	1 976 394	1 973 343
Financial asset receivables included in consumer debtors above	128 027 685	138 870 522
Total consumer debtors	130 004 079	140 843 865

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
13. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	19 092 285	21 974 082
31 - 60 days	2 675 393	3 219 446
61 - 90 days	2 744 207	3 396 981
+ 90 days	9 718 377	9 450 305
	34 230 262	38 040 814
Water		
Current (0 -30 days)	37 071 352	38 132 170
31 - 60 days	3 772 871	8 946 951
61 - 90 days	2 860 252	6 129 639
+ 90 days	28 339 500	26 257 739
	72 043 975	79 466 499
Sewerage		
Current (0 -30 days)	3 257 131	3 585 646
31 - 60 days	711 443	1 309 794
61 - 90 days	463 477	384 975
+ 90 days	3 615 963	2 711 299
	8 048 014	7 991 714
Refuse		
Current (0 -30 days)	2 523 667	1 679 867
31 - 60 days	712 279	605 818
61 - 90 days	421 998	321 627
+ 90 days	3 395 189	2 791 898
	7 053 133	5 399 210
Sundry receivables		
Current (0 -30 days)	495 466	533 744
31 - 60 days	478 190	310 017
61 - 90 days	396 066	205 956
+ 90 days	5 282 579	6 942 767
	6 652 301	7 992 484
Other (specify)		
Other receivables (not aged)	1 976 394	1 953 144

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
13. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	106 947 041	104 762 747
31 - 60 days	40 900 960	47 557 989
61 - 90 days	45 468 128	39 826 034
+ 90 days	2 148 109 305	1 812 722 678
	<u>2 341 425 434</u>	<u>2 004 869 448</u>
Less: Allowance for impairment	(2 247 158 639)	(1 889 965 314)
	94 266 795	114 904 134
Industrial/ commercial		
Current (0 -30 days)	11 960 101	28 666 595
31 - 60 days	5 995 504	11 694 695
61 - 90 days	6 170 625	5 912 737
+ 90 days	141 675 673	118 168 439
	<u>165 801 903</u>	<u>164 442 466</u>
Less: Allowance for impairment	(135 962 457)	(127 455 215)
	29 839 446	36 987 251
National and provincial government		
Current (0 -30 days)	4 392 077	8 026 860
31 - 60 days	4 653 378	2 016 050
61 - 90 days	8 641 421	1 074 225
+ 90 days	58 498 339	36 628 062
	<u>76 185 215</u>	<u>47 745 197</u>
Less: Allowance for impairment	(72 012 769)	(40 606 996)
	4 172 446	7 138 201
Total		
Current (0 -30 days)	123 047 983	121 259 659
31 - 60 days	51 549 842	61 268 734
61 - 90 days	60 280 174	46 812 996
91 - 120 days	2 350 259 946	1 969 221 090
	<u>2 585 137 945</u>	<u>2 198 562 479</u>
Less: Allowance for impairment	(2 455 133 866)	(2 057 718 614)
	130 004 079	140 843 865
Less: Allowance for impairment		
Current (0 -30 days)	(60 608 084)	(55 354 150)
31 - 60 days	(43 199 667)	(46 876 707)
61 - 90 days	(53 394 173)	(36 373 819)
+ 90 days	(2 297 931 942)	(1 919 422 849)
	<u>(2 455 133 866)</u>	<u>(2 058 027 525)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 058 027 525)	(1 560 039 758)
Contributions to allowance	(397 106 341)	(497 987 767)
	<u>(2 455 133 866)</u>	<u>(2 058 027 525)</u>

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

13. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

No receivables from exchange transactions were pledged as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R - (2022: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Consumer debtors impaired

As of 30 June 2023, consumer debtors of R - (2022: R -) were impaired and provided for.

The amount of the provision was R - as of 30 June 2023 (2022: R -).

The ageing of these loans is as follows:

14. Payables from exchange transactions

Trade payables	64 130 175	81 692 436
Payments received in advanced - contract in process	27 350 304	26 001 262
Insurance	1 386 698	1 386 698
Accrued leave pay	24 170 100	25 709 651
Accrued bonus	7 591 240	7 500 640
Eskom: Bulk electricity purchase	48 429 449	47 338 615
Rand Water and Department of Water: Bulk water purchase	65 447 695	65 695 897
Control, Clearing and Interface Accounts	8 083 452	7 592 112
Retentions	32 457 657	21 321 616
Auditor-General South Africa	(9 216)	-
Unallocated deposits	13 045 313	6 811 599
Unclaimed credits	7 582 280	7 580 268
	299 665 147	298 630 794

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Payments received in advance also include consumer debtors' accounts paid in advance.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on any payment of its Creditors. Terms for payment have been re-negotiated by the municipality.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
15. Consumer deposits		
Electricity	3 783 504	3 683 365
Water	23 985 445	22 915 928
Other deposits	1 502 000	1 502 000
	29 270 949	28 101 293

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

No interest accrues on Consumer Deposits.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumerst.

16. Employee benefit obligations

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

Employee Benefits Liabilities		
Post-retirement Health Care Benefits Liability	32 466 123	37 947 000
Long Service Awards Liability	16 686 000	17 047 000
	49 152 123	54 994 000
Non-current liabilities	45 444 132	50 208 000
Current liabilities	3 707 991	4 786 000
	49 152 123	54 994 000
Post-retirement Health Care Benefits Liability		
Opening balance	37 947 000	46 371 724
Benefits paid	(2 303 300)	(3 200 313)
Net expense recognised in the statement of financial performance	(3 177 577)	(5 224 411)
	32 466 123	37 947 000
Transfer to current provisions	2 131 991	2 285 000
Total Post-retirement Health Care Benefits Liability	30 334 132	35 662 000

Net expense recognised in the statement of financial performance

Current service cost	375 000	934 485
Interest cost	4 232 000	4 100 853
Actuarial (gains) losses	(7 784 577)	(10 259 749)
	(3 177 577)	(5 224 411)

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

16. Employee benefit obligations (continued)

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Eligible employees	72	64
Continuation members (pensioners)	48	49
Total members	120	113

The accrued liability in respect of past service has been estimated as follows:

In-service members	13 173 413	14 341 000
Continuation members	19 292 709	23 606 000
Total liability	32 466 122	37 947 000

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

Municipal employees contribute to accredited medical schemes.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

Key assumptions used

Assumptions used at the reporting date:

Discount rate	12.91 %	11.49 %
Health care cost inflation rate	8.50 %	8.15 %
Net effective discount rate	4.07 %	3.09 %
Maximum subsidy inflation rate	- %	5.74 %
Net of maximum subsidy inflation rate	- %	5.44 %

Actual returns

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

16. Employee benefit obligations (continued)

Other assumptions

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

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	32 466 123	37 947 000	46 371 724	42 321 460	39 122 000
Fair Value of Plan Assets	-	-	-	-	-

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

16. Employee benefit obligations (continued)

Long service awards liabilities

Opening balance	17 047 000	15 867 000
Benefits paid	(3 415 000)	(1 156 000)
Net expense recognised in the statement of financial performance	3 054 000	2 336 000
	16 686 000	17 047 000
Transfer to current provisions	1 576 000	2 501 000
Total Post-retirement Health Care Benefits Liability	15 110 000	14 546 000

Net expense recognised in the statement of financial performance

Current service cost	1 943 000	1 697 000
Interest cost	1 700 000	1 400 000
Actuarial (gains) losses	(589 000)	(761 000)
	3 054 000	2 336 000

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

At year end 716 (2022: 725) employees were eligible for Long-service Awards

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. No other long-service benefits are provided to employees.

Special leave pay

24 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

72 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Key assumptions used

Assumptions used at the reporting date:

Discount rate	- %	10.74 %
Health care cost inflation rate	- %	7.32 %
Net effective discount rate	- %	3.19 %
Average retirement age	62	62
Mortality during employment	SA 85-90	

Actual returns

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
16. Employee benefit obligations (continued)		
Other assumptions		
Amounts for the current and previous four years are as follows:		
	2023 R	2022 R
Present Value of Defined Benefit Obligation	16 686 000	17 047 000
Fair Value of Plan Assets	-	-
	2021 R	2020 R
	15 867 000	15 463 000
	2019 R	2018 R
	15 559 000	15 559 000

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Expanded Public Works Program Grant	-	8 484
Integrated National Electrification Programme Grant	2 000	2 000
Financial Management Grant	1 800 000	-
Sector Education Training Authority Grant	-	303 175
Municipal Infrastructure Grant	5 100 000	9 677 741
	6 902 000	9 991 400

Movement during the year

Balance at the beginning of the year	9 991 400	272 563
Additions during the year	398 182 434	184 255 585
Income recognition during the year	(401 271 834)	(174 536 748)
	6 902 000	9 991 400

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See Note XX for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld during the 2022/23 financial year.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

18. Finance lease obligation

Minimum lease payments due

- within one year	-	38 254
-------------------	---	--------

	-	38 254
--	---	--------

less: future finance charges	-	(636)
------------------------------	---	-------

Present value of minimum lease payments	-	37 618
--	----------	---------------

Present value of minimum lease payments due

- within one year	-	37 618
-------------------	---	--------

The municipality has finance lease agreements for the following significant classes of assets:

- Motor vehicles

The average lease term was 5 years and the average effective borrowing rate was 10% (2022: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Change discount factor	Total
Environmental rehabilitation	93 124 771	(2 366 289)	12 596 441	103 354 923
	93 124 771	(2 366 289)	12 596 441	103 354 923

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Change discount factor	Total
Environmental rehabilitation	86 063 312	(4 222 628)	11 284 087	93 124 771
	86 063 312	(4 222 628)	11 284 087	93 124 771

Non-current liabilities	15 328 588	13 727 005
Current liabilities	88 026 335	79 397 766
	103 354 923	93 124 771

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Masimba Mapfurira (Engineering Consultant)(BSc Hons Civil Engineering) and Nkosinobubelo Ndebele (Environmental Consultant)(MSc Environmental Sciences) from One Pangaea Expertise and Solutions.

Key financial assumptions used in this calculation were as follows:

Average long term CPI	7.23 %	6.03 %
Net Discount rate	3.56 %	3.69 %
Average Long term Bond	11.05 %	9.94 %

	Sasol landfill	Orangeville landfill	Deneysville landfill
Approximate footprint at 30 June 2022	R 16.8 Ha	R 1.3 Ha	R 1.43 Ha
Remaining useful lives	Approximately 0 years	Approximately 10 years	Approximately 5 years

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

20. Service charges

Sale of electricity	313 985 206	328 061 337
Sale of water	444 570 560	441 926 059
Sewerage and sanitation charges	64 626 845	68 268 781
Refuse removal	52 466 139	41 959 749
	875 648 750	880 215 926

Non-Exchange Revenue:

Availability charges:

-Sale of Electricity	2 372 608	892 754
-Sale of Water	1 373 801	1 327 696
-Sewerage and Sanitation Charges	23 875	24 847
	3 770 284	2 245 297

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue forgone.

Availability charges have been reclassified from Exchange to Non-exchange Revenue where consumers have not paid the connection fee and the municipality has not connected consumer to the municipality's infrastructure.

21. Sale of goods and rendering of services

Advertisements	422 479	422 888
Building plan approval	-	2 644
Building plan clause Levy	290 910	291 942
Cemetery and burial	323 612	392 836
Clearance certificates	442 712	472 878
Drainage fees	8 805	8 196
Entrance fees	237 532	150 556
Legal fees	2 931 689	3 970 502
Parking fees	55 113	51 940
Sale of goods	144 952	225 041
Town planning and servitudes	105 328	91 415
Fire services	892 132	840 575
Valuation services	232	663
Tender documents	111 987	50 718
Total Sales of Goods and Rendering of Services	5 967 483	6 972 794

22. Rental of facilities and equipment

Premises

Premises	6 090 438	6 311 578
----------	-----------	-----------

Facilities and equipment

Rental of facilities	424 151	688 631
	6 514 589	7 000 209

Rental income generated is at market related premiums.

Leasing Arrangements

The Municipality as Lessor:

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

22. Rental of facilities and equipment (continued)

Operating Leases relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to some uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- Buildings

23. Interest on receivables

Non-exchange receivables	16 149 465	9 669 232
Exchange receivables	84 089 787	51 553 068
	100 239 252	61 222 300

Interest Earned from Non-Exchange Receivables

Property rates	16 149 465	9 669 232
----------------	------------	-----------

Interest Earned from Exchange Receivables

Electricity	7 878 485	4 911 878
Service charges	7 213 021	4 713 186
Waste management	5 745 250	3 201 254
Waste water management	3 717 972	2 124 294
Water	59 535 059	36 602 456
	84 089 787	51 553 068

24. Interest on investments

Interest revenue

Short-term Investments and Call Accounts	13 828 863	5 264 768
	13 828 863	5 264 768

25. Property rates

Rates received

Residential	145 575 935	134 746 038
Commercial	89 798 782	95 581 530
Municipal	5 021 417	4 306 908
Small holdings and farms	3 647 228	3 625 399
Property rates 1	3 577 717	3 439 012
Less: Income forgone	(36 293 820)	(30 503 117)
	211 327 259	211 195 770

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
26. Fines, Penalties and Forfeits		
Municipal Traffic Fines	2 785 750	4 234 000

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

27. Government grants & subsidies

Operating grants

Equitable share	246 748 000	214 398 000
Financial management grant (FMG)	950 000	2 650 000
Extended public works program (EPWP)	1 531 484	1 613 516
Sector Education Training Authority Grant (SETA)	851 248	518 146
	250 080 732	219 179 662

Capital grants

Municipal Infrastructure Grant (MIG)	50 779 741	37 407 259
Water Services Infrastructure Grant (WSIG)	17 183 000	17 000 000
Integrated National Electrification Programme (INEP)	35 631 000	30 400 000
Regional Bulk Infrastructure Grant (RBIG)	43 043 368	84 947 827
Fezile Dabi (District Municipalities)	-	914 800
Government grant (capital) 7	(4)	-
Public corporations	-	21 685 635
	146 637 105	192 355 521
	396 717 837	411 535 183

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	152 500 750	197 137 183
Unconditional grants received	251 587 527	214 398 000
	404 088 277	411 535 183

Equitable Share

Current year receipts	246 748 000	214 398 000
Transfer to revenue	(246 748 000)	(214 398 000)
	-	-

The Equitable Share Grant is an unconditional grant. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to fund operations. The grant was utilised as per the intended purpose.

A council resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate basic water, basic electricity and basic sewer per month to all households. Indigent households are allocated 6kl of water, 50 kWh of electricity additional sewer, refuse, and R50 per month on Rates.

The allocation of equitable share has been reduced by R 4 554 000 during the 2022/23 financial year due to the non-spending of funds on the Integrated National Electrification Programme Grant, Municipal Infrastructure Grant and Water Service Infrastructure Grant by the municipality as at 30 June 2022.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	9 677 741	-
Current-year receipts	50 756 000	47 085 000
Conditions met - transferred to revenue	(51 691 145)	(37 407 259)
Retained payment	(4 162 154)	-
Reduction (According to National Treasury)	(4 554 000)	-
	26 442	9 677 741

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

27. Government grants & subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

Finance Management Grant (FMG)

Current-year receipts	2 750 000	2 650 000
Conditions met - transferred to revenue	(989 100)	(2 650 000)
	1 760 900	-

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery. This grant is also used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	8 484	-
Current-year receipts	1 523 000	1 622 000
Conditions met - transferred to revenue	(1 523 000)	(1 613 516)
	8 484	8 484

The Expanded Public Works Programme (EPWP) Grant is a conditional grant of which the purpose is the funding of the department's Extended Public Works Programme. The grant was utilised as per intended purpose. No moneys have been withheld.

Sector Education Training Authority Grant (SETA)

Balance unspent at beginning of year	303 175	270 563
Current-year receipts	548 073	550 758
Conditions met - transferred to revenue	(285 527)	(518 146)
	565 721	303 175

Conditions still to be met - remain liabilities (see note XX). The municipality received from Sector Education Training to promote excellence performance by the human resources division. The funds must be utilised towards training. The agreement for appointment of learners was carried over to 2022/2023.

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	2 000	2 000
Current-year receipts	35 631 000	30 400 000
Conditions met - transferred to revenue	(35 631 000)	(30 400 000)
	2 000	2 000

The Integrated Electrification Programme Grant is a conditional grant of which the purpose is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme. The grant was utilised as per intended purpose. Moneys have been withheld in the prior financial year.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	17 183 000	17 000 000
Conditions met - transferred to revenue	(15 460 987)	(17 000 000)
	1 722 013	-

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

27. Government grants & subsidies (continued)

This grant has been provided by Department of Water affairs and to try to get water to areas where it was recognised that full services would not become available.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	43 043 359	84 947 827
Conditions met - transferred to revenue	(43 043 363)	(84 947 827)
	(4)	-

The municipality received funds from National Government (Regional Bulk Infrastructure Grant) for water purification.

Contributions and donations received (Public entities and District municipality)

Contributions and Donations - Capital	-	14 901 879
Contributions and donations - Operating	-	7 698 557
Transfer to revenue	-	(22 600 436)
	-	-

Refer to Note 51, for a breakdown of Public contributions and donations received.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
28. Employee related costs		
Basic	192 181 020	187 872 832
Long-service awards	1 943 406	2 386 569
Leave pay provision charge	2 690 923	4 648 883
Overtime payments	32 249 565	28 719 958
Allowances: Acting and post related allowances	2 934 896	5 607 678
Allowances: Bonus	15 603 461	15 482 399
Allowances: Celluler and telephone	1 919 300	1 663 405
Allowances: Housing benefits	1 568 545	1 724 703
Allowances: Standby	6 199 331	5 362 778
Allowances: Travel or Motor vehicle	24 379 671	23 581 819
Social contributions: Bargaining council	95 963	89 394
Social contributions: Group life insurance	163 602	193 722
Social contributions: Medical	21 984 840	20 963 279
Social contributions: Pension	32 707 638	31 637 065
Social contributions: Unemployment insurance	1 540 279	1 531 303
Long-term benefits - incentive scheme	(1 073 951)	(515 184)
	337 088 489	330 950 603

Remuneration of municipal manager

Annual Remuneration	1 624 086	230 517
Car Allowance	45 500	20 000
Cell phone Allowance	-	3 000
Company Contributions to UIF, Medical and Pension Funds	18 821	483
Acting Allowances	-	316 752
	1 688 407	570 752

Advocate LMA Mofokeng has been the Municipal Manager since 01 July 2022 to 30 June 2023.

Mr KM Mvulane was appointed as Acting Director Technical Service and Infrastructure from 01 June 2022 to 31 July 2022.

Remuneration of chief finance officer

Annual Remuneration	894 593	-
Car Allowance	275 000	-
Cell phone Allowance	59 000	-
Company Contributions to UIF, Medical and Pension Funds	13 781	-
	1 242 374	-

Mr Hopolang Lebusa was appointed as the Chief Financial officer since 01 August 2022 to 30 June 2023.

Ms Keneilwe Lepesa was appointed from COGTA as Acting Chief Financial Officer from 01 May 2022 - 31 May 2022

Remuneration of Director Technical Services and Infrastructure

Annual Remuneration	1 037 093	-
Car Allowance	150 000	-
Cell phone Allowance	41 500	-
Company Contributions to UIF, Medical and Pension Funds	13 416	-
Acting allowances	31 769	-
	1 273 778	-

Mr DL Ramabitsa was appointed as Director Technical Service and Infrastructure since 01 August 2022 to 30 June 2023.

Mr KM Mvulane was appointed as Acting Director Technical Service and Infrastructure from 01 June 2022 to 31 July 2022.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

28. Employee related costs (continued)

Remuneration of Director organisational Development and Corporate Services

Annual Remuneration	386 761	-
Car Allowance	50 000	-
Cell phone Allowance	10 000	-
Acting allowances	244 439	377 030
	691 200	377 030

Mr FJ Motloutung was appointed as Director Organisational Development and Corporate Services since 01 March 2023 to 30 June 2023

Mrs MM Rapuleng was appointed as Acting Director Organisational Development and Corporate Services from 01 July 2022 to 31 October 2022

Mr ME Sediane was appointed as Acting Director Organisational Development and Corporate Services from 01 November 2022 to 31 January 2023

Dr G Alberts was appointed as Acting Director Organisational Development and Corporate Services for February 2023

Remuneration of Director Social Services

Annual Remuneration	1 113 677	-
Car Allowance	275 000	-
Cell phone Allowance	59 000	-
Company Contributions to UIF, Medical and Pension Funds	14 800	-
Acting allowances	31 769	334 256
	1 494 246	334 256

Mr SJ Mokoena was appointed as Director Social Services since 01 Aug 2022 to 30 June 2023

Mr LP Thile was appointed as Acting Director Social Services from 01 June 2022 to July 2022

Remuneration of Director Economic Development and Urban Planning

Annual Remuneration	1 201 093	-
Car Allowance	3 093	-
Cell phone Allowance	27 500	-
Company Contributions to UIF, Medical and Pension Funds	13 438	-
Acting allowances	31 769	-
	1 276 893	-

Ms MK Tihapane was appointed as Director Economic Development since 01 Aug 2022 to 30 June 2023

Ms MJ Mkhafa was appointed as Acting Director Local Economic Development and Urban Planning from 01 June 2022 to July 2022

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
29. Remuneration of councillors		
Executive Mayor	965 056	918 932
Deputy Executive Mayor	735 208	710 669
Mayoral Committee Members	4 411 248	4 153 529
Speaker	780 930	778 880
Chairpersons Section 79 committees	1 429 286	1 584 335
All other Councillors	11 625 461	11 268 615
	19 947 189	19 414 960

In-kind benefits

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

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
29. Remuneration of councillors (continued)		
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
Remuneration of the Executive Mayor		
ZJ Zwane		
Annual remuneration	697 216	416 147
Cellphone allowance	227 040	23 800
Travel allowance	40 800	111 720
SL Tshongwe		
Annual remuneration	-	250 133
Cell Phone Allowance	-	13 600
Travel Allowance	-	74 488
SM Motjeane		
Annual remuneration	-	25 574
Total executive mayor	965 056	915 462
Remuneration of the Speaker		
L Fisher		
Annual Remuneration	557 760	357 967
Cell Phone Allowance	182 370	27 200
Travel Allowance	40 800	119 180
KT Mabasa		
Annual Remuneration	-	198 746
Cell Phone Allowance	-	14 410
Travel Allowance	-	61 378
Total speaker	780 930	778 881
Remuneration of the Council Whip		
FD Mosokweni		
Annual Remuneration (From 1 July to 31 October 2021 & 22 November to 30 June 2022)	489 808	324 584
Cell Phone Allowance	204 600	27 200
Travel Allowance	40 800	100 500
VL Mashia (Until 8 November 2021)		
Annual Remuneration	-	243 976
Cell Phone Allowance	-	14 410
Total Council Whip	735 208	710 670
Remuneration of Chairpersons of Section 79 Committees		
M Molawa (MPAC chairperson)	714 643	685 476
SS Kobo (Chairperson Street naming) (Until 8 November 2021)	-	251 122
NM Mtshali (Chairperson Ethics) (From 22 November 2021)	-	411 287
NM Mtshali (Chairperson Ethics) (From 22 November 2021)	714 643	231 707
Total Chairpersons of Section 79 Committees	1 429 286	1 579 592
Remuneration of the Mayoral Committee Members		
FJ van der Merwe	735 208	345 149
JJ Barnard	735 208	345 149
TK Rankoe	735 208	345 149
SR Meyer	735 208	345 149
JM Makhema	735 208	345 149
MT Mbana	735 208	345 149
LS Semonyo	-	258 385
NM Mtshali	-	284 548
KB Mofokeng	-	258 385
FD Mosokweni	-	257 576
L Fisher	-	227 857
NP Mokoena	-	258 385
MJ Malindi	-	257 171

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
29. Remuneration of councillors (continued)		
MS Poho	-	257 171
Total Mayoral Committee Members	4 411 248	4 130 372
Remuneration of all other councillors		
MJ Radebe	332 156	214 847
MS Poho	332 156	215 354
TL Soetsang	332 156	214 847
SM Mofokeng	332 156	214 847
ME Mqwathi	332 156	214 847
DV Rani	332 156	214 847
LA Makhefu	332 156	233 555
TK Rankoe	-	56 626
L Day	332 156	214 847
L Mthetho	332 156	214 847
TG Sehaole	332 156	214 847
MB Mozolo	332 156	215 076
SL Tshongwe	332 156	219 951
JM Makhema	-	56 626
TD Thulo	332 156	214 847
LJ Chalala	332 156	214 847
JM Masiteng	332 156	214 847
MS Motsapi	332 156	214 847
MS Mokwai	332 156	214 847
JT Mampana	332 156	214 847
DK Mbikolo	332 156	214 847
MV Mofokeng	83 039	214 847
DA Mofokeng	332 156	191 160
EJ Geyser	332 156	214 847
M Pienaar	332 156	214 847
MJ Malindi	332 156	215 354
AM Kumalo	332 156	214 847
L Fisher	-	10 406
NM Mtshali	-	10 406
M Molawa	-	10 406
FD Mosokweni	-	10 406
MJ Makume	-	48 052
LL Nhlapo	332 156	332 156
T Du Toit	332 156	332 156
PM Mahlaela	332 156	343 715
ME Maseko	332 156	332 156
TA Motaung	332 156	332 156
M Nkheloene	332 156	332 156
LJ Van Heerden	332 156	332 156
JL Tsotetsi	332 156	332 156
SM Motjeane	332 156	332 156
TH Mofokeng	332 156	331 485
JJ Barnard	-	173 936
GS Burger	-	117 309
NN Dywili	-	117 309
JJ Grobbelaar	-	117 309
MG Leotlela	249 117	117 309
MT Mbana	-	173 936
AK Mare	-	117 309
SM Matwa	-	117 309
SR Meyer	-	173 936
P Mohapi	-	117 309
MP Mokoena	-	117 309
TM Motloun	-	117 309
GB Nnune	-	117 309
SJ Nteso	-	117 309

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
29. Remuneration of councillors (continued)		
TJ Taats	-	117 309
MM Telane	-	117 309
FJ van der Merwe	-	173 936
ZJ Zwane	-	139 936
	11 625 460	11 268 616
All councillors	19 947 188	19 383 593
30. Depreciation and amortisation		
Property, plant and equipment	79 719 891	72 602 515
Investment property	1 042 529	30 522
Intangible assets	1 635 551	922 780
Impairment loss	16 607 262	-
	99 005 233	73 555 817
31. Finance costs		
Employee benefits obligations	5 932 000	5 500 853
Land-fill site provision	12 596 441	11 284 087
Trade and other payables	671 391	787 009
Finance leases	637	12 336
	19 200 469	17 584 285
32. Bulk purchases		
Electricity - Eskom	338 622 430	333 805 718
Water	185 974 221	177 019 885
	524 596 651	510 825 603
Electricity losses		
Units purchased	198 275 104	216 846 838
Units sold	(161 558 882)	(181 073 655)
Total loss	36 716 222	35 773 183
Comprising of:		
Losses in rand value	89 333 996	55 498 664
Percentage Loss:		
Technical losses	26.35 %	16.50 %

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
32. Bulk purchases (continued)		
Water losses		
Units purchased	18 503 164	18 876 423
Units sold	(13 842 936)	(17 152 540)
Total	4 660 228	1 723 883
Comprising of:		
Losses in rand value	68 107 070	15 750 944
Percentage Loss:		
Technical losses	36.63 %	9.13 %
33. Contracted services		
Outsourced Services		
Administrative and Support Staff	79 000	-
Connection/Dis-connection	796 763	1 126 700
Researcher	-	1 978 180
Consultants and Professional Services		
Business and Advisory	4 568 771	4 699 305
Infrastructure and Planning	179 197	785 050
Legal Cost	7 516 395	13 714 376
Contractors		
Maintenance of Buildings and Facilities	3 199 839	7 972 377
Maintenance of Equipment	8 014 502	5 511 530
Maintenance of Unspecified Assets	843 646	290 802
Safeguard and Security	25 408 213	20 134 955
Sewerage Services	23 284 723	19 395 936
	73 891 049	75 609 211
34. Lease rentals on operating lease		
Plant and equipment		
Contractual amounts	9 376 930	2 399 981
The leases are entered in to on month-to-month or ad hoc bases, and, therefore, do not have escalation clauses or commitments.		
Operating lease payments are therefore not subject to straight-lining.		
35. Debt impairment		
Debt impairment	417 721 762	512 076 734

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

36. Transfer and subsidies

Other subsidies

Bursaries - non-employees	137 030	271 520
Social relief - burials	119 700	78 000
	256 730	349 520

37. Operating costs

Advertising, publicity and marketing	911 319	509 894
Bank charges	1 495 735	893 899
Bursaries (employees)	-	31 690
Commission paid	1 124 084	7 358 212
Communication	2 967 143	3 801 706
Entertainment	230 741	131 365
External audit fees	10 749 867	7 228 544
Garden services	840 866	1 876 000
External computer services	7 499 602	8 645 232
Other operational costs	(73)	247 611
Catering services	203 355	233 752
Hire charges	82 211	53 540
Insurance	2 328 566	4 654 249
Licences	759 512	768 478
Printing and stationery	163 761	62 592
Professional bodies, membership and subscription	62 088	6 431 641
Registration fees	33 426	23 000
Remuneration to ward committees	2 547 528	1 416 000
Skills development fund levy	2 389 365	2 754 835
Telephone and fax	186 649	271 608
Transport expenses	173 183	175 335
Travel and subsistence	1 361 349	683 277
Uniform and protective clothing	3 009 394	2 725 850
Vehicle tracking	402 368	470 074
Workmen's compensation fund	-	1 319 930
Road worthy test	18 941	15 990
	39 540 980	52 784 304

38. Inventory consumed

Consumables	9 448 859	8 018 361
Materials and supplies	1 781 298	1 809 282
Other consumables	1 917 037	1 310 913
	13 147 194	11 138 556

The prior year amount for materials and supplies has been restated due to the reclassification or the split on the note for inventory consumed which was inclusive of the repairs and maintenance incurred in the prior year. Refer to Note 41 on "Correction of errors" for details of the restatement.

39. Repairs and maintenance

Materials and supplies	12 816 958	32 445 592
------------------------	------------	------------

The prior year amount for materials and supplies has been restated due to the reclassification or the split on the note for inventory consumed which was inclusive of the repairs and maintenance incurred in the prior year. Refer to Note 41 on "Correction of errors" for details of the restatement.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
40. Auditors' remuneration		
Fees	10 749 867	7 228 544
41. Cash generated from operations		
Surplus (deficit)	46 462 074	(34 242 456)
Adjustments for:		
Depreciation and amortisation	99 005 233	73 555 817
Gain on sale of assets and liabilities	14 618 973	640 835
Fair value adjustments	(252 677)	391 927
Interest received on receivables from exchange transactions	(84 089 787)	(51 553 068)
Interest received on receivables from non-exchange transactions	(16 149 465)	(9 669 232)
Movements in provisions	12 596 441	11 284 087
Inventory losses or write-downs	421 026	(418 844)
Debt impairment	417 721 762	512 076 734
Finance costs - trade and other payables	671 391	787 009
Actuarial gains/loss	(10 739 866)	(15 243 377)
Finance costs - discounting of provision for rehabilitation of landfill site	5 932 000	5 500 853
Non-cash donations and other in-kind benefits	-	(14 901 877)
Employee benefit obligations - current service cost	2 318 000	2 631 485
Finance cost - finance lease	637	12 336
Impairment of assets	-	(232)
Changes in working capital:		
Inventories	(357 353)	33 309
Receivables from exchange transactions	(270 621 041)	(267 468 192)
Receivables from non-exchange transactions	(33 938 354)	(18 759 861)
Payables from exchange transactions	250 633	68 287 887
VAT	7 937 409	(58 961 595)
Unspent conditional grants and receipts	(3 089 400)	9 718 837
Consumer deposits	1 169 656	1 209 224
	189 867 292	214 911 606

42. Fair value adjustments

Other financial assets		
• Fair value adjustments on investments gain/(loss)	252 677	(391 927)

The prior year amount for fair value adjustments on investments has been restated due to the reclassification of amounts in terms of GRAP 1 and correction of errors. Refer to Note 46 on "Correction of errors" for details of the restatement.

43. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Other Financial assets - Listed investments (Sanlam shares)	2 690 460	-	2 690 460
Other Financial assets at amortised cost	-	12 810	12 810
Receivables from exchange transactions - non-current	-	2 209 333	2 209 333
Receivables from exchange transactions: Electricity	-	34 230 262	34 230 262
Receivables from exchange transactions: Refuse	-	7 053 133	7 053 133
Receivables from exchange transactions: Sewerage	-	8 048 014	8 048 014
Receivables from exchange transactions: Water	-	72 043 975	72 043 975

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
43. Financial instruments disclosure (continued)		
Receivables from exchange transactions: Sundry receivables	- 6 652 066	6 652 066
Receivables from exchange transactions: Other receivables	- 1 976 394	1 976 394
Receivables from non-exchange Transactions: Service debtors (Availability charges)	- 826 449	826 449
Receivables from non-exchange Transactions: Unauthorised, Irregular, Fruitless and Wasteful Expenditure	- 213 158	213 158
Receivables from non-exchange Transactions: LGSETA Interns	- 755 080	755 080
Receivables from non-exchange Transactions: Deposits	- 4 764 535	4 764 535
	2 690 460	138 785 209
		141 475 669

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions - Trade payables	176 119 057	176 119 057
Payables from exchange transactions - Other payables	122 477 050	122 477 050
Payables from exchange transactions - Retentions	32 457 657	32 457 657
Consumer deposits	29 270 949	29 270 949
	360 324 713	360 324 713

2022

Financial assets

	At fair value	At amortised cost	Total
Other Financial assets - Listed investments (Sanlam shares)	2 437 783	-	2 437 783
Other Financial assets	-	12 810	12 810
Receivables from exchange transactions - non-current	-	2 692 341	2 692 341
Receivables from exchange transactions: Electricity	-	38 292 048	38 292 048
Receivables from exchange transactions: Refuse	-	5 399 210	5 399 210
Receivables from exchange transactions: Sewerage	-	7 991 714	7 991 714
Receivables from exchange transactions: Water	-	79 466 499	79 466 499
Receivables from exchange transactions: Sundry receivables	-	7 683 573	7 683 573
Receivables from exchange transactions: Other receivables	-	1 973 343	1 973 343
Receivables from non-exchange Transactions: Service debtors (Availability charges)	-	556 380	556 380
Receivables from non-exchange Transactions: Unauthorised, Irregular, Fruitless and Wasteful Expenditure	-	213 158	213 158
Receivables from non-exchange Transactions: LGSETA Interns	-	755 080	755 080
Receivables from non-exchange Transactions: Refer to Drawer (R/D)	-	738 344	738 344
Cheques			
Receivables from non-exchange Transactions: Deposits	-	4 764 535	4 764 535
Cash and cash equivalents: Call deposits	-	90 110 712	90 110 712
Cash and cash equivalents: Bank Balances	-	24 912 605	24 912 605
Cash and cash equivalents: Cash floats and advances	5 150	-	5 150
	2 442 933	265 562 352	268 005 285

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions - Trade payables	15 479 099	15 479 099
Payables from exchange transactions - Other payables	186 492 245	186 492 245
Payables from exchange transactions - Retentions	21 321 616	21 321 616
Consumer deposits	9 991 400	9 991 400

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
43. Financial instruments disclosure (continued)		
Finance lease liability - short-term	37 617	37 617
	233 321 977	233 321 977

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

Fair value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2022, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

The levels have been defined as follows:

Level 1:

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Level 2:

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2023

Financial assets

Financial instruments at fair value

	Level 1	Level 2	Total
Listed investments	2 690 460	-	2 690 460
Cash and cash equivalents	-	5 150	5 150
	2 690 460	5 150	2 695 610

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

30 June 2022

	At fair value	At amortised cost	Total
Listed Investments	2 437 783	-	2 437 783
Cash and Cash Equivalents	-	5 150	5 150
	2 437 783	5 150	2 442 933

Capital risk management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note N/A and the Statement of Changes in Net Assets.

Gearing ratio

The gearing ratio at the year-end was as follows:

Debt	-	(37 617)
Cash and cash equivalents	-	115 028 467

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Financial risk management objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

Significant risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity risk

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 47.8 to the Annual Financial Statements.

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors,

bank and cash balances.

The municipality is exposed to fair value risk as it regularly invests capital in fixed deposit accounts. This risk is managed by investing the funds for less than a year (depending on cash flow requirements), thus allowing the interest rate to be updated regularly throughout the year.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Investec, Nedbank and Standard Bank. The municipality's borrowings are in fixed rate instruments.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Finance lease obligations

The municipality's interest rate risk arises from finance leases. Finance leases issued at fixed rates expose the municipality to fair value interest rate risk. Entity policy is to maintain the majority of its borrowing and finance leases in fixed rate instruments.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality at fair value of R 2 690 460 (2022: R 2 437 783). The impact of a 10% change in price would be R 269 046. (2022: R 243 778).

This investment consists of equity in one listed entity (Sanlam Ltd), and the municipality does not actively trade in equity instruments or conduct any hedging activities.

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

Credit Risk Management

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

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Investec, Nedbank and Standard Bank.

Trade and Other Receivables

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Non-current investments	2 703 270	2 450 593
Long-term receivables	-	1 855 192
Receivables from exchange transactions	130 003 844	140 806 387
Receivables from non-exchange transactions	41 037 151	43 937 683
Cash and cash equivalents	159 030 485	115 028 467
	332 774 750	304 078 322

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Financial instruments at fair value

30 June 2023

	Average effective interest rate	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	Total
Non-interest Bearing						
- Payables from Exchange transactions		223 292 960	-	-	-	223 292 960
- Consumer deposits		28 101 293	-	-	-	28 101 293
		- 251 394 253	-	-	-	251 394 253

30 June 2022

	Average effective interest rate	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	Total
Non-interest Bearing						
- Payables from Exchange transactions		223 292 960	-	-	-	223 292 960
- Consumer deposits		28 101 293	-	-	-	28 101 293
Fixed Interest Rate Instruments		-	-	-	-	-
- Finance Lease obligations		37 617	-	-	-	37 617
		251 431 870	-	-	-	251 431 870

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

30 June 2023

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

43. Financial instruments disclosure (continued)

	Average effective interest rate	6 months less	or 6 - 12 months	1 - 2 years	2 - 5 years	Total
Interest Bearing						
- Long-term receivables		-	2 209 333	-	-	2 209 333
- Receivables from exchange transactions		130 003 844	-	-	-	130 003 844
- Receivables from non-exchange transactions		41 037 151	-	-	-	41 037 151
Variable interest rate instruments		-	-	-	-	-
- Call deposits		144 628 712	-	-	-	144 628 712
- Other financial assets at amortised cost		12 810	-	-	-	12 810
- Bank account		14 396 623	-	-	-	14 396 623
		-	330 079 140	2 209 333	-	332 288 473

30 June 2022

	Average effective interest rate	6 months less	or 6 - 12 months	1 - 2 years	2 - 5 years	Total
Interest Bearing						
- Long-term receivables		-	-	2 692 341	-	2 692 341
- Receivables from exchange transactions		140 806 387	-	-	-	140 806 387
- Receivables from non-exchange transactions		43 937 683	-	-	-	-
Variable interest rate instruments		37 617	-	-	-	37 617
- Call deposits		90 110 712	-	-	-	-
- Other financial assets at amortised cost		12 810	-	-	-	-
- Bank account		24 912 605	-	-	-	-
		-	299 817 814	2 692 341	2 692 341	143 536 345

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	126 833 673	194 364 285
---------------------------------	-------------	-------------

Total capital commitments

Already contracted for but not provided for	126 833 673	194 364 285
---	-------------	-------------

This committed expenditure relates to infrastructure assets and will be financed by government grants.

Operating leases - as lessor (income)

Operating Leases relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to some uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- Buildings

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

2023

2022

45. Contingencies

Litigation is in the process against the municipality relating to disputes with stakeholders. The estimate of the contingent liability is approximately R 158 287 639 (June 2023), and approximately R 184 874 168 (June 2022).

The litigation matters for the year under review are detailed below as follows:

Outstanding invoices dispute

A dispute regarding payment of outstanding invoices. The Municipality is defending a matter where Mr Molala issued summons for an amount of R670 745.87. for legal costs incurred due to various disciplinary proceedings and his suspension. Awaiting further steps to be taken by the Plaintiff

The expected liability: R670 745.87

The legal cost are estimated at R200 0000+

Arbitration award

Review and setting aside of the Arbitration Award where Mr Mbewe was dismissed. The Municipality is opposing the review application launched by SAMWU obo Mr Mbewe. Awaiting the Applicant to deliver the amplified.

The expected liability: Mr Mbewe salary

The legal cost are estimated at R200 0000+

Arbitration award

Application to review an Arbitration Award under case number FSD012109 dated 10 April 2021. MLM is opposing the review application launched by Mr Mokoena in the Labour Court for the appointment as Security Manager. We are awaiting a notice of set down and directive from the Labour Court.

The expected liability: Unknown

The legal cost are estimated at R200 0000+

Claim for damages for loss of support

The Plaintiff (TL Du Plooy) is claiming for damages including loss of support because of an accident that resulted in the death of Mr AM Du Plooy, it is alleged that the incident took place due to the negligence of the Municipality to erect a stop sign at an intersection. MLM is defending the matter, The claim is for R2.1 million.

The expected liability: R2 100 000.00

The legal cost are estimated at R100 0000

Claim for damages for loss of support

A dispute regarding a claim by SAMRO for damages in respect of unpaid annual license fees due by the Municipality in respect of issued licenses. The claim is for R714 956.61

The expected liability: R714 956.61

The legal cost are estimated at R300 0000

A dispute is regarding a motorcycle accident

A dispute is regarding a motorcycle accident where the plaintiff (BG Olivier) suffered damages and injuries due to an open storm-water drain or manhole. The claim is for R 1 018 205.00. Judgement was granted on the 29th of August 2019 on merits due to the Municipality's default. Awaiting allocation for Pre-Trial date.

The expected liability: R1 018 205.00

The legal cost are estimated at R350 0000

Criminal case

Criminal case against the MM (MA Mofokeng) in his official capacity for contravening of the OHSA. Matter postponed to 7th August 2023.

The expected liability: R200 000

The legal cost are estimated at : unknown

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

45. Contingencies (continued)

Legal claim for motor cycle accident that happened because of a pothole

Plaintiff (A J Dreyer) is suing for the motor vehicle collision that took place around Vaalpark Sasolburg due to a Pothole. They are suing for over R5,7 million rand. Trial for the special pleas was held on 14th and 15th March 2023, Awaiting judgement.

The expected liability: R5 713 000.00

The legal cost are estimated at -/+R120 0000

Legal claim for motor cycle accident that happened because of a pothole

Plaintiff (EL Le Hanie & Another) is suing for a motor bike accident due to a pothole in the road. Claim is over R1,278 million. Matter set down for 24,25 and 27 October 2023

The expected liability: R1 278 000

The legal cost are estimated: unknown

A dispute regarding payment of outstanding invoices

Summons were received where Rebatshwere Security is suing the Municipality for services rendered as per the appointment letter dated 13 January 2020. The claim is for R4,1 million rand. Pre-Trial was held on 10 February 2023, awaiting finalisation of the pre-trial minutes

The expected liability: R4 106 000

The legal cost are estimated: -/+120 000.00

Claim for damages for motor vehicle accident

Motor Vehicle Collision between the Plaintiff (Khoatela Teboho) and alleged motor vehicle of MLM. Claim for damages of R22 321.58. Matter postponed at the request of the plaintiff sine die.

The expected liability: R22 321.58

The legal cost are estimated: unknown

Claim for damages for motor vehicle accident

Motor Vehicle Collision between the Plaintiff (Nelson Tjatja) and alleged motor vehicle of MLM. Judgement granted against MLM on merits. A claim for R110 059.98. Awaiting set down for quantum.

The expected liability: R110 059.98

The legal cost are estimated: unknown]

Claim for unpaid invoices

A claim against the Municipality (Technical Services) Africa Protection CC ta Within Africa Construction in terms of a contract for the upgrading of the Oranjeville Water Treatment Works and construction of the Pressure Tower.

Summons issued on a claim for:

Payment of R775 514.27 plus interest at 7% pa

Payment of R889 683.08 plus interest at 7%

Pre-trial Conference held on 9/5/2022, awaiting possible trial dates.

The expected liability: R1 665 197.00

The legal cost are estimated: unknown

A dispute regarding salary disparities.

"A dispute regarding salary disparities between MLM and Solidarity obo Mazibuko N.E. MLM is opposing the matter, Employee does not fall under the affected employees as agreed upon in the " collective agreement of the LL. Awaiting allocation date by Labour Court for the rescission of a court order dated 24 August 2022.

The expected liability: unknown

The legal cost are estimated: unknown

Claim for damages

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

2023

2022

45. Contingencies (continued)

The Plaintiff (Themba Petrus Tshabalala) is claiming damages as a result of a collision with a pothole. MLM is defending the matter. The claim amount is R32 645.94. Matter is at discovery stage.

The expected liability: R32 645.94.

The legal cost are estimated: unknown

Eviction order

The Applicants (Isaac Frederick Thomas van Rensburg and another // Judy Faith Burden and two others)are pursuing an eviction order against the first and second Respondents, MLM is implicated by virtue of the Prevention against Illegal Eviction Act and is consequently the third Respondent. The matter was set down for hearing of an application to compel MLM to submit a housing report but was removed from the court roll on 11th July 2023.

The expected liability: unknown

The legal cost are estimated: unknown

Claim for damages

The Plaintiff (Princess Nomsa Mashiane) is claiming damages as a result of a collision with a pothole. MLM is defending the matter. The claim amount is R15 104.69. The matter is ongoing. The Plaintiff's attorneys were previously informed that the road on which the pothole is located does not fall within MLM jurisdiction and we're currently awaiting their response.

The expected liability: R15 104.69

The legal cost are estimated: unknown

Claim for damages

The Plaintiff (Cecilia Johanna Vos) is claiming damages as a result of a collision with a pothole. The matter is ongoing. The claim amount is R44 290.27. The Plaintiff's attorneys served MLM with an expert's notice and summary on the damages alleged by plaintiff. Matter is ongoing.

The expected liability: R44 290.27

The legal cost are estimated: unknown

Claim for damages

The Plaintiff (Peter Henry Branford) is claiming damages as a result of a collision with a pothole. MLM is defending the matter. The claim amount is R12 869.30 The matter is ongoing. Technical report issued and assessed, based on the reading of pleadings and technical report, the prospects of success on behalf of MLM are fair. Matter is ongoing.

The expected liability: R12 869.30

The legal cost are estimated: unknown

Claim for damages

The Plaintiff (Jacques Du Toit) is claiming damages as a result of a collision with a pothole. The claim amount is R87 888.00. Attorneys on behalf of MLM have been appointed, we are awaiting formal notification of such appointment.

The expected liability: R87 888.00

The legal cost are estimated: unknown

Claim for damages

The Plaintiff is claiming damages as a result of a collision with a pothole. The claim amount is R1580.00. On assessment of the pleadings, further litigation on this matter will be pointless and/or wasteful on the part of MLM, matter will be settled then the file closed.

The expected liability: R1 580.00

The legal cost are estimated: unknown

Civil trial

Civil trial brought by T Twal from labour against the Municipality. Estimated claim is R 150 000

Contract dispute

Dispute is over R241 million rands, due to contacts entered into by MLM and Lize! Trust and Muller H.O. Review application has been withdrawn by the Municipality as per the partial settlement entered into by parties.

The expected liability: R138 582 634.18

The legal cost are estimated at R200 0000+

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

45. Contingencies (continued)

Contingent assets

Litigation is in the process in favour of the municipality relating to disputes with stakeholders. The estimate of the contingent asset is approximately R 252 000 (June 2023), and approximately R 0 (June 2022).

Claim for damages

The municipality is instituting claims against Macho Construction company in respect of guarantees in lieu of poor workmanship. The estimated claim is R252 000.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

46. Related parties

Relationships

Sec 55 and Sec 57 employees remuneration

Refer to note 28

Remuneration of councillors

Refer to note 29

Interest of Related Parties

Name of related person	Designation	Description of the related party relationship
Zwane ZJ	Councillor	Multichoice (150 Phuthumanathi Ordinary Shares)
Rankoe KT	Councillor	Rehlwa Mekwalaba Pty (Ltd) (100 shares)
Mozolo MB	Councillor	SASOL - Khanyisa (BEE SASOL Limited Shares)
Pienaar M	Councillor	Legal, IR, HR Consultancy (150 Shares)
Mthetho L	Councillor	Marshal Entertainment And Motivation (100% Financial Interest)
Rani DV	Councillor	SASOL- Khanyisa (502 BEE SASOL Limited Shares)
Mofokeng SM	Councillor	1. Lehlomela Primary Co-Operative Limited (100% Financial Interest) 2. Kopong Fezile Dabi- Mechanisation Co-Operative (100% Financial Interest) [Farming Co-Operative] 3. Orangeville Creative- Young Minds Npc (100 % Financial Interest) Non-Profit Company

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Services rendered to Related Parties

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

Year ended 30 June 2023:

Name	Account No	Rates	Service Charges	Sundry service	Interest	Total levies
Barnard (My2509) J J	5660	7 072	9 494	-	-	16 566
Chalala (My2534)R1000+C L J	537603	600	5 715	-	-	6 315
Du Toit (My2521) T	525381	9 208	57 454	-	2 790	69 452
Mabena (My2530) S M	597493	7 580	14 307	-	-	21 887
Mahlaela (My2514) M D	108353	1 323	8 013	-	-	9 336
Maisina (Deceased) (My2520) M D	100024	1 323	5 559	-	-	6 882
Makhema (My2531) J M & M H	571483	865	2 698	-	158	3 721
Malindi (My2508) M J	536489	600	3 228	-	4	3 832
Mashinini (My2536)R669 J C	572032	600	2 339	-	1 361	4 300
Masiteng (My2540) P I	584040	600	2 462	-	589	3 651
Mathe (My2528) M A	510225	600	3 369	-	-	3 969
Meyer (My2522) J H C	581417	8 293	12 774	-	-	21 067
Moeletsi (My2541) S M	601437	600	11 652	-	-	12 252
Mofokeng (My2510) T A	6150	5 138	9 465	-	-	14 603
Mofokeng (My2542) M S	576057	600	5 600	-	2 663	8 863
Mofokeng (My2545) A E	526499	600	11 300	-	-	11 900
Molawa(My2502) J M	106880	600	9 101	-	-	9 701
Mosokweni(My2518) F D	108066	763	23 228	-	208	24 199
Motaung (My2505)R500+Current T A	537934	1 679	3 427	-	119	5 225
Motjeane R750+Current(My2501) R J	106180	3 867	7 086	-	1 712	12 665
Motsapi (My2532)R345+C M S	571120	-	102 704	-	6 050	108 754
Mqwathi (My2543) M M	530705	600	3 430	-	-	4 030
Mtshali (My2511) B P	103466	3 053	32 430	-	1 307	36 790
Nhlapo(My2504) P S	103760	865	7 827	-	-	8 692
Nkheloane(My2517)R1000 N E	108037	600	8 152	-	36	8 788
Pienaar (My2537) M & S M	608474	8 801	23 165	315	822	33 103
Poho(My2516) M S	512681	600	4 022	-	-	4 622

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Rani (My2544) V M	103659	2 035	8 118	-	-	10 153
Rankoe (My2538) 1248.00*6 T K & F	603723	1 441	4 449	665	80	6 635
Schoeman (My2522) A A	604039	7 173	4 611	-	2	11 786
Soetsang (My2546) J T & T L	831263	-	-	-	-	-
Thamae (My2513) N J	585743	600	-	-	60	660
Tshongwe (My2515) S L	575987	7 377	25 375	315	746	33 813
Tsotetsi (My2512) P	511192	1 119	4 531	-	950	6 600
Van Der Merwe (My2507) F J	23906	7 682	25 724	-	-	33 406
Van Heerden(My2523) L J	5815	7 682	13 368	-	-	21 050
Yethu Trust (My2539)	533254	8 191	4 677	-	-	12 868
Zwane (My2506) Z J & M L	7527	7 072	6 889	-	-	13 961
		117 402	487 743	1 295	19 657	626 097

Year ended 30 June 2022:

Name	Rates	Service Charges	Sundry service	Interest	Total levies
Zwane ZJ	6 815	7 052	-	-	13 867
Tshongwe SL	7 103	23 017	-	229	30 349
Makhema JM	960	2 481	-	1 257	4 698
Mofokeng TH	4 991	10 655	-	-	15 646
Thulo TD	7 295	17 132	-	300	24 727
Chalala LJ	600	1 529	-	300	2 429
Mbana MT	4 895	17 930	-	1 037	23 862
Motaung TA	1 728	1 735	-	-	3 463
Masiteng JM	600	354	-	412	1 366
Motjeane SM	3 792	9 065	-	1 545	14 402
Motsapi MS	-	278	-	34	312
Mokwai MS	400	1 989	-	-	2 389
Tsotetsi JL	1 200	5 066	-	662	6 928
Mampana JT	350	321	-	-	671
Mbikolo DK	1 680	2 195	-	-	3 875
Maseko ME	600	2 732	-	1 116	4 448
Mofokeng MV	600	1 834	-	600	3 034
Mofokeng DA	600	9 423	-	863	10 886
Geyser EJ	7 871	5 065	-	-	12 936

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Pienaar M	8 447	24 324	-	637	33 408
du Toit T	8 831	103 448	-	24	112 303
Malindi MJ	600	2 469	-	-	3 069
Kumalo AM	600	6 092	-	2 613	9 305
Radebe MJ	-	-	-	-	-
Molawa JM	600	8 173	-	-	8 773
Poho MS	600	3 987	-	1	4 588
Soetsang TL	7 487	6 788	-	128	14 403
Mofokeng SM	600	7 120	-	-	7 720
Nkheloane M	600	7 171	-	864	8 635
Mahlaela PM	1 392	9 183	-	600	11 175
Nhlapo LL	960	6 955	-	-	7 915
Mqwathi ME	600	8 183	-	300	9 083
Mtshali NM	3 024	10 636	-	2 541	16 201
Rani DV	2 064	3 812	-	600	6 476
Makhefu LA	1 392	4 998	-	-	6 390
Mosokweni FD	864	11 881	-	689	13 434
Van der Merwe FJ	7 391	32 016	-	-	39 407
Van Heerden LJ	7 391	12 750	-	-	20 141
Barnard JJ	6 815	9 241	-	-	16 056
Rankoe TK	4 223	13 340	-	693	18 256
Day L	8 927	18 830	-	351	28 108
Mthetho L	600	5 379	-	3 001	8 980
Fisher L	1 992	7 961	-	119	10 072
Sehaole TG	600	3 527	-	300	4 427
Meyer R	14 878	11 425	-	5	26 308
Mozolo MB	-	-	-	-	-
Burger GS	2 880	7 379	-	-	10 259
Dywili NN	768	2 668	-	-	3 436
Grobbelaar JJ	2 624	1 837	-	3	4 464
Kobo SS	200	1 705	-	-	1 905
Leotlela MG	200	1 755	-	303	2 258
Mabasa KT	1 952	5 456	-	-	7 408
Mare AK	432	242	-	-	674
Mashia VL	448	3 277	-	132	3 857
Matwa SM	200	555	-	3	758

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Related parties (continued)

Mofokeng KB	200	433	-	-	633
Mohapi P	272	1 482	-	412	2 166
Mokoena MP	200	588	-	-	788
Mokoena NP	200	5 181	-	10	5 391
Motloung TM	976	2 506	-	-	3 482
Nnune GB	200	1 269	-	32	1 501
Nteso SJ	544	5 539	-	458	6 541
Semonyo LS	608	2 659	-	-	3 267
Taats TJ	200	12 062	-	1 036	13 298
Telane MM	200	3 291	-	-	3 491
	156 862	519 426	-	24 210	700 498

47. Prior-year adjustments

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

Statement of financial position

2021

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022			
47. Prior-year adjustments (continued)					
2022					
	Note	As previously reported	Correction of error	Re-classification	Restated
ASSETS					
Current assets					
Inventories		1 732 407	-	-	1 732 407
Receivables from Exchange Transactions		331 381 082	(190 537 217)	-	140 843 865
Receivables from Non-exchange Transactions		94 030 263	(49 560 293)	-	44 469 970
VAT Receivable		-	170 253 025	-	170 253 025
Cash and Cash Equivalents		115 028 467	-	-	115 028 467
Non-Current Assets					
Property, Plant and Equipment		1 319 635 770	43 973 922	-	1 363 609 692
Intangible Assets		2 708 917	2 436 809	-	5 145 726
Investment Property		242 260 298	(181 520)	-	242 078 778
Heritage Assets		269 516	4 159 456	-	4 428 972
Non-current Investments		2 450 593	-	-	2 450 593
Long-term Receivables		1 855 192	882 267	-	2 737 459
LIABILITIES					
Current liabilities					
Consumer Deposits		(28 101 293)	-	-	(28 101 293)
Current Portion of Employee Benefit Liabilities		(4 786 000)	-	-	(4 786 000)
Payables from Exchange Transactions		(288 870 657)	(9 760 137)	-	(298 630 794)
Unspent Conditional Grants and Receipts		(9 991 400)	-	-	(9 991 400)
VAT Payable		(17 865 929)	17 865 929	-	-
Provisions		-	-	(79 397 766)	(79 397 766)
Current Portion of Long-term Liabilities		(37 617)	-	-	(37 617)
Non-Current Liabilities					
Long-term Liabilities					
Employee Benefit Liabilities		(50 208 000)	-	-	(50 208 000)
Non-current Provisions		(90 395 377)	(2 729 394)	79 397 766	(13 727 005)
Accumulated surplus		(1 621 096 232)	13 197 153	-	(1 607 899 079)
		-	-	-	-

2023

Statement of financial performance

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

2023

2022

47. Prior-year adjustments (continued)

2022

	Note	As reported	previously error	Correction of Re- classification	Restated
REVENUE					
Revenue from Non-exchange Transactions					
Property Rates		(211 195 770)	-	-	(211 195 770)
Service Charges		(2 245 297)	-	-	(2 245 297)
Fines, Penalties and Forfeits		(4 284 718)	-	50 718	(4 234 000)
Licences and Permits		(14 650)	-	-	(14 650)
Transfers and Subsidies		(411 535 184)	-	-	(411 535 184)
Interest and Dividends received		(9 669 232)	-	-	(9 669 232)
Revenue from Exchange Transactions					
Service Charges		(880 215 926)	-	-	(880 215 926)
Sales of Goods and Rendering of Services		(6 922 076)	-	(50 718)	(6 972 794)
Rental of facilities and equipment		(6 691 298)	(308 911)	-	(7 000 209)
Interest and dividends received		(56 836 732)	-	56 836 732	-
Interest on receivables		-	-	(51 553 068)	(51 553 068)
Interest on dividends		-	-	(5 264 768)	(5 264 768)
Operational Revenue		(239 151)	-	-	(239 151)
Dividends		-	-	(123 203)	(123 203)
Gains on Other Operations		(15 736 073)	-	15 736 073	-
EXPENDITURE					
Employee related costs		330 131 551	-	819 052	330 950 603
Remuneration of councillors		19 383 588	31 372	-	19 414 960
Depreciation and amortisation		72 788 932	766 885	-	73 555 817
Finance costs		14 854 891	2 729 394	-	17 584 285
Bulk purchases		333 805 718	-	177 019 885	510 825 603
Contracted services		74 647 089	-	962 122	75 609 211
Transfers and subsidies		2 399 981	-	-	2 399 981
Debt Impairment		358 572 485	153 504 249	-	512 076 734
Transfers and Subsidies		334 020	-	15 500	349 520
Operating costs		47 550 876	-	5 233 428	52 784 304
Inventory consumed and repairs and maintenance		188 017 397	-	(176 878 841)	11 138 556
Repairs and maintenance		30 242 206	-	2 203 386	32 445 592
Loss on disposal of assets and liabilities		1 043 182	-	(402 347)	640 835
Fair value adjustments on investments		-	-	391 927	391 927
Actuarial gains/losses		-	-	(15 243 377)	(15 243 377)
Inventories losses/write-downs		-	-	(418 844)	(418 844)
Surplus for the year		(131 814 191)	156 722 989	9 333 657	34 242 455

2023

Cash flow statement

Errors

The following prior period errors occurred during the year under review.

Receivables from Exchange Transactions

Recalculation of impairments due to impairment policy not in line with GRAP 104 and back billing of rental income

Receivables from Non-exchange Transactions

Recalculation of impairments due to impairment methodology not in line with GRAP 104

Property, Plant and Equipment

Property plant and equipment was restated due to assets that were omitted in the previous years and impairments of PPE items.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

47. Prior-year adjustments (continued)

Intangible Assets

Intangible assets were adjusted due to omitted assets that which were identified during verification of assets.

Investment Property

Adjustments due to assets where municipality lost control and were also fair valued less than previously

Heritage Assets

Newly identified heritage assets that were not accounted for.

Long-term Receivables

Recalculation of impairments due to impairment methodology not in line with GRAP 104

Payables from Exchange Transactions

This was due to invoices that were identified during the year and were not accrued at year end 30 June 2022.

Fines, Penalties and Forfeits

Fines and penalties vote incorrectly allocated to sale of good and services.

Sales of Goods and Rendering of Services

Fines and penalties vote incorrectly allocated to sale of good and services.

Interest and Dividends received

Separate disclosure of interest income on the face of statement of financial performance

Interest on receivables

Separate disclosure of interest income on the face of statement of financial performance

Interest on investments

Separate disclosure of interest income on the face of statement of financial performance

Dividends

Separate disclosure of interest income on the face of statement of financial performance

Gains on Other Operations

Separate disclosure of actuarial gains, inventory write downs, loss on sale of assets and fair value adjustments in accordance with GRAP1

Employee related costs

Back pay of Sec 57 employees.

Depreciation and amortisation

Property plant and equipment was restated due to assets that were omitted in the previous years and impairments of PPE items.

Finance costs

Restatement of landfill site due to closure report.

Contracted services

Reclassification of expenditure due to their nature and accrual of invoices of 2022 financial year.

Debt Impairment

Recalculation of impairments due to impairment policy not in line with GRAP 104 and back billing of rental income

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

47. Prior-year adjustments (continued)

Operating costs

This was due to invoices that were identified during the year and were not accrued at year end 30 June 2022.

Fair value adjustments on investments

Adjustments due to assets where municipality lost control and were also fair valued less than previously

Actuarial gains/losses

Separate disclosure of actuarial gains, inventory write downs, loss on sale of assets and fair value adjustments in accordance with GRAP1

Inventories losses/write-downs

Separate disclosure of actuarial gains, inventory write downs, loss on sale of assets and fair value adjustments in accordance with GRAP1

Rental income

Back billing of rental income

The following prior period errors adjustments occurred:

Reclassifications

The following reclassifications adjustment occurred:

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

48. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 1 654 361 153 and that the municipality's total liabilities exceed its assets by R 1 654 541 776.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The municipality is not financially distressed and per the DORA has secured significant future funding for the foreseeable future.

49. Events after the reporting date

Lizelle Sake and Metsimaholo Local Municipality have been in litigation for a number of years over contract dispute. On 13 October 2023 the Arbitrator granted the Trust's summary judgement application as follows:

- Payment of the balance of R43 210 551.50 (excluding VAT) being constituted by the the amount of R50 630 551.53 (excluding VAT), less the sum of R7 420 000.00 (excluding VAT), being the sum awarded previously in accordance with the interim Arbitration Award dated 8 November 2019.;
- Less R2 500 000.00 paid when the previous settlement was concluded on 07 July 2023 as well as R500 000.00 paid on 17 October 2023;
- Interest on the aforementioned amount calculated at the rate of 10% per annum from 26 July 2016 to the date of final payment; and
- Cost of suit including costs of counsel on a party and party scale

The municipality has undertaken to pay interim Award in installments as follows:

- The full amount described above of R43 210 551.50, R500 000.00 and 2 500 000 000.00 (excluding legal fees) shall be capitalized on 14 October 2023
- The First Payment in the amount of R500 000 to be on 17 October 2023.
- The Second Payment in the amount of R2 000 000.00 payable on or before 30 October 2023.
- The Third Payment in the amount of R5 000 000.00 payable on or before 7 December 2023.
- Thereafter, the municipality shall pay the Trust in minimum monthly installments of R4 000 000.00, due, and payable on the 7th day of each month until the full amount owed is settled in full.

Interest of mora interest rate plus 10% will be charges from 15 October 2023 until date of final payment of all debt to the Trust.

The Municipality has agreed to pay all the Trust's outstanding legal fees with regard to the Arbitration on a Rand for Rand basis in return for the Trust not insisting on payment of the full taxed amount and allow the Municipality to ass the total of the full outstanding legal fees on a Rand for Rand basis to the capitalized amount on 14 October 2023.

On the 5th of July 2023, the accounting officer/Municipal Manager of the municipality was suspended by council for alleged fraudulent award of the security tender. Subsequently, on the 27th November 2023, the accounting officer's employment contract was terminated by council resolution.

50. Unauthorised expenditure

Opening balance as previously reported	141 415 280	115 996 716
Add: Unauthorised expenditure - current	-	25 418 564
Closing balance	141 415 280	141 415 280

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
51. Fruitless and wasteful expenditure		
Opening balance as previously reported	40 034 481	38 983 967
Add: Fruitless and wasteful expenditure identified - current	5 189 357	1 021 887
Add: Fruitless and wasteful expenditure identified - prior period	-	28 627
Closing balance	45 223 838	40 034 481

Fruitless and wasteful expenditure is presented inclusive of VAT

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

51. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Sheriff Sasolburg - payment of interest	-	11 568
ESKOM - interest paid on the late payments of electricity accounts	847	7 572
Department of Water - interest on late payment	-	429 597
Sheriff Pretoria - payment of interest	-	9 422
Sheriff Bloemfontein - payment of interest	-	2 042
Auditor General - payment of interest	401	45 621
Kramer Wiehmann - payment of cost	-	133 891
Compensation Commissioner - interest	-	103 499
Post Office - payment of interest	-	80
SABC - interest on licence fee	-	742
Dumelang - payment of interest	-	61 591
TJ Tsonyane - vehicle damage	-	3 104
Ensemble Trading 2053 CC - no delivery of fire arms	-	213 158
TELKOM_SA LTD	11 305	-
Compensation commissioner - interest	658 837	-
Wanga Power Projects - Installation of new pump (1) and repair rotating assembly	788 595	-
Wanga Power Projects - Refurbishment of Pumps	1 191 208	-
Maditsi Jan Construction - Refurbishment of pumps: Supply and installation of pump parts	650 000	-
Wanga Power Projects - Refurbishment of Pumps	780 299	-
Maditsi Jan Construction - Refurbishment of pumps: Supply and installation of pump parts	732 964	-
Pule Ramasimong Development Projects and Project Managers - Soil Investigation	25 000	-
Pule Ramasimong Development Projects and Project Managers - Site Supervision salary	60 000	-
Pule Ramasimong Development Projects and Project Managers - Site Supervision: Skills Transfer	61 000	-
Pule Ramasimong Development Projects and Project Managers - Other-Environmental Impact Assessment (EIA)	180 000	-
	5 140 456	1 021 887

Expenditure in the current year relating to prior year

Sheriff Sasolburg - payment of interest	-	1 354
Sheriff Sasolburg - illegal eviction	-	1 563
Kramer Wiehmanss - payment of cost	-	25 147
Sheriff Sasolburg - payment of interest	-	563
	-	28 627

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
52. Irregular expenditure		
Opening balance as previously reported	649 234 975	480 723 536
Add: Irregular expenditure - current	107 316 921	87 886 377
Add: Irregular expenditure - audit adjustment	-	80 625 062
Closing balance	756 551 896	649 234 975
53. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	2 511 773	-
Current year membership fee	4 878 892	6 428 336
Amount paid - current year	-	(3 916 563)
Amount paid - previous years	(2 451 980)	-
	4 938 685	2 511 773
Audit fees		
Opening balance	4 608	3 936 682
Current year audit fees	12 339 129	7 154 320
Amount paid - current year	(12 367 356)	(7 195 332)
Amount paid - previous years	(4 608)	(3 936 682)
Interest charges- current year	401	45 620
	(27 826)	4 608
PAYE and UIF		
Opening balance	4 964 576	4 812 055
Current year payroll deductions and council contribution	62 366 710	61 150 749
Amount paid - current year	(57 307 972)	(56 186 173)
Amount paid - previous years	(4 964 576)	(4 812 055)
	5 058 738	4 964 576
Pension and Medical Aid Deductions		
Opening balance	70 558	87 512
Current year subscription / fee	88 594 681	84 608 185
Amount paid - current year	(88 594 681)	(84 537 627)
Amount paid - previous years	(70 558)	(87 512)
	-	70 558
VAT		
VAT receivable	162 315 616	170 253 025

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

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

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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

Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total more than 90R
Chalala LJ (Acc No 537603)	1 780	4 535	6 315
Chalala LJ (Acc No 872506)	-	150 826	150 826
Makhema JM&MH (Acc No 571483)	1 047	3 902	4 949
Mashinini JC (Acc No 831326)	-	16 052	16 052
Masiteng PI (Acc No 584040)	2 527	8 636	11 163
Mathe MA (Acc No 510225)	1 025	36 809	37 834
Moeletsi SM (Acc No 601437)	3 888	8 194	12 082
Moeletsi SM (Acc No 831329)	-	14 691	14 691
Mofokeng MS (Acc No 576057)	2 611	50 093	52 704
Mofokeng AE (Acc No 526499)	2 826	57 141	59 967
Mofokeng ML (Acc No 565072)	-	4 465	4 465
Mofokeng ML (Acc No 594922)	-	64 934	64 934
Mofokeng ML (Acc No 871915)	-	65 844	65 844
Mofokeng ML (Acc No 872519)	-	47 918	47 918
Motsapi MS (Acc No 571120)	4 175	101 053	105 228
Mqwathi MM (Acc No 530705)	1 214	2 396	3 610
Mqwathi MM (Acc No 565040)	-	10 010	10 010
Rani VM (Acc No 103659)	2 413	4 038	6 451
Rankoe TK&F (Acc No 603723)	35	1 287	1 322
Soetsang JT&TL (Acc No 831263)	-	2 861	2 861
Du T (Acc No 525381)	28 045	45 066	73 111
Mahlaela MD (Acc No 108353)	2 264	28 511	30 775
Mosokweni FD (Acc No 108066)	23 746	12 596	36 342
Mosokweni FD (Acc No 830353)	-	26 228	26 228
Motaung TA (Acc No 537934)	1 818	2 800	4 618
Motaung TA (Acc No 574795)	-	1 024	1 024
Motjeane RJ (Acc No 106180)	3 599	162 908	166 507
Mtshali BP (Acc No 103466)	4 064	19 967	24 031
Mtshali BP (Acc No 562315)	-	17 811	17 811
Nhlapo PS (Acc No 103760)	3 197	6 489	9 686
Nkheloane NE (Acc No 575013)	-	33 039	33 039
Nkheloane NE (Acc No 592910)	-	31 628	31 628
Tshongwe SL (Acc No 575987)	7 762	14 125	21 887
Tshongwe SL (Acc No 831333)	-	12 892	12 892
Tsotetsi P (Acc No 511192)	1 959	93 688	95 647
	99 995	1 164 457	1 264 452

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total more than 90R
Mahlaela PM (Acc no 108353)	-	21 850	21 850
Mahlaela PM (Acc no 108353)	-	53 619	53 619
Motaung TA (Acc no 574795)	-	7 024	7 024
Motjeane S (Acc no 106180)	-	165 028	165 028
Mtshali NM (Acc no 103466)	-	28 059	28 059
Nkheloane M (Acc no 108037 and 592910)	-	73 520	73 520
Tsotetsi LJ (Acc no 511192)	-	87 140	87 140
Tshongwe SL (Acc no 575987)	-	4 931	4 931

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
53. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Thamae NJ (Acc no 585743)	-	1 814
	-	442 985

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

2023

2022

54. Deviation from supply chain management regulations

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

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Summary of deviations

Emergency	3 011 953	973 612
Other	179 367	265 115
Exceptional/Impractical	4 533 364	3 215 582
Sole supplier	669 203	1 765 489
Strip and quote	23 926	-
	8 417 813	6 219 798

Supplier	Voucher No.	Date	Amount	AFS Classification
AUDI CENTRE VEREENIGING	90038778	20220826	R 4 954.12	Sole supplier
GISWA ENGINEERING CC	90038563	20220810	R 3 825.00	Impractical
GISWA ENGINEERING CC	90038568	20220810	R 69 676.62	Impractical
LESEDI LA MOTHEO HOLDINGS	90038396	20220712	R 2 420.00	Impractical
METSIMAHOLO AND FEZILE DABI	90038689	20220818	R 54 727.45	Impractical
MILLENNIUM PUMPS	90038451	20220718	R 222 715.90	Emergency
PNEUMATIC RETAIL OPERATIONS A	90038392	20220711	R 3 254.50	Impractical
SASOLBURG AUTO BODY REPAIRS	90038399	20220712	R 6 037.50	Emergency
SHADEWIND 40 (PTY) LTD	90038387	20220711	R 11 728.71	Impractical
STEADFAST ENGINEERING	90038565	20220810	R 219 846.65	Impractical
STEADFAST ENGINEERING	90038450	20220718	R 15 433.00	Impractical
TIBI TRANSPORT AND PROJECTS C	90038871	20220913	R 302 548.67	Emergency
TFM INDUSTRIES (PTY) LTD	90038766	20220825	R 333 875.39	Impractical
VAAL DOCUMENT MANAGEMENT (PTY	90038828	20220906	R 11 385.00	Sole supplier
VAAL DOCUMENT MANAGEMENT (PTY	90038804	20220906	R 130 679.10	Sole supplier
VAAL TOYOTA (VEREENIGINGVANDE	90038445	20220718	R 17 285.05	Impractical
VAAL TOYOTA (VEREENIGINGVANDE	90038770	20220826	R 208 429.34	Impractical
VAAL TOYOTA (VEREENIGINGVANDE	90038766	20220825	R 74 124.10	Impractical
WANGA POWER PROJECTS CC	90038449	20220715	R 50 650.60	Emergency
LESEDI LA MOTHEO HOLDINGS	90038427	20220713	R 14 263.00	Impractical
PNEUMATIC RETAIL OPERATIONS A	90038392	20220711	R 3 254.50	Impractical
TFM INDUSTRIES (PTY) LTD	90038767	20220825	R 333 875.39	Impractical
VAAL TOYOTA (VEREENIGINGVANDE	90038858	20220909	R 131 857.84	Impractical
STEADFAST ENGINEERING	90038450	20220718	R 15 433.00	Impractical
WANGA POWER PROJECTS CC	90039053	20221005	R 800 000.00	Emergency
WANGA POWER PROJECTS CC	90039111	20221019	R 800 000.00	Emergency
PDZ ELECTRICAL	90039078	20221013	R 34 500.00	Impractical
AUDI CENTRE VEREENIGING	90039208	20221031	R 12 275.79	Strip and quote
PNEUMATIC RETAIL OPERATIONS A	90039080	20221013	R 11 650.22	Strip and quote
WANGA POWER PROJECTS CC	90039223	20221108	R 800 000.00	Emergency
STEADFAST ENGINEERING	90039290	20221114	R 167 451.50	Impractical
METSIMAHOLO AND FEZILE DABI T	90039291	20221114	R 161 789.77	Impractical
VAAL TOYOTA (VEREENIGINGVANDE	90039229	20221109	R 38 473.89	Impractical
GISWA ENGINEERING CC	90039395	20221124	R 27 915.00	Impractical
PNEUMATIC RETAIL OPERATIONS A	90039293	20221114	R 4 186.00	Impractical
MASSTORES (PTY) LTD T/A MAKRO	90039368	20221122	R 179 366.55	Urgent
TRUVELO AFRICA ELECTRONICS DI	90039218	20221108	R 350 000.00	Sole supplier
VAAL TOYOTA (VEREENIGINGVANDE	90039421	20221207	R 58 718.92	Impractical
STEADFAST ENGINEERING	90039436	20221215	R 190 596.40	Impractical

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

2023

2022

54. Deviation from supply chain management regulations (continued)

Supplier	Voucher No.	Date	Amount	AFS Classification
LESEDI LA MOTHEO HOLDINGS	90039472	20221213	R 63 119.00	Impractical
STEADFAST ENGINEERING	90039634	20230118	R 14 088.65	Impractical
VAAL TOYOTA (VEREENIGINGVANDE	90039703	20230125	R 95 100.81	Impractical
VAAL DOCUMENT MANAGEMENT (PTY	90039744	20230127	R 167 665.06	Impractical
MADITSI JAN CONSTRUCTION AND	90039778	20230209	R 122 843.92	Impractical
BELL EQUIPMENT COSA (PTY) LT	90039860	20230222	R 15 186.12	Impractical
SPECIALIZED VEHICLE MANUFACT	90039780	20230210	R 339 615.21	Impractical
SPECIALIZED VEHICLE MANUFACT	90039856	20230216	R 299 254.25	Impractical
NEW VAAL MOTORS (VER)	90039874	20230223	R 51 243.40	Impractical
VAAL TOYOTA (VEREENIGINGVAND	90039805	20230216	R 48 228.86	Impractical
STEADFAST ENGINEERING	90039871	20230223	R 37 366.95	Impractical
LESEDI LA MOTHEO HOLDINGS	90039879	20230223	R 31 855.00	Impractical
PHOSISI BUSINESS TRADING(PTY	90039872	20230223	R 30 000.00	emergency
PNEUMATIC RETAIL OPERATIONS	90039809	20230216	R 11 471.25	Impractical
LESEDI LA MOTHEO HOLDINGS	90039777	20230209	R 12 597.00	Impractical
INV003052 VAAL TOYOTA (VEREENIGINGVANDE	90040062	20230323	R 33 621.34	Impractical
PNEUMATIC RETAIL OPERATIONS A	90039980	20230309	R 2 591.99	Impractical
GIJIMA HOLDINGS (PTY) LTD	90040178	20230412	R 7 200.00	Sole supplier
LEXISNEXIS BUTTERWORTHS	90040307	20230426	R 8 403.30	Sole supplier
GISWA ENGINEERING CC	90040162	20230413	R 10 170.00	impractical
LESEDI LA MOTHEO HOLDINGS	90040287	20230426	R 11 900.00	impractical
PNEUMATIC RETAIL OPERATIONS A	90040169	20230413	R 32 929.75	impractical
RAL COMPONENTS CENTER	90040281	20230425	R 51 706.38	impractical
STEADFAST ENGINEERING	90040278	20230425	R 72 326.37	Impractical
VAAL TOYOTA (VEREENIGINGVANDE	90040168	20230413	R 106 523.96	impractical
JAUARES REPAIRS	90040347	20230510	R 40 362.70	impractical
STEADFAST ENGINEERING	90040331	20230509	R 44 237.62	impractical
LESEDI LA MOTHEO HOLDINGS	90040428	20230523	R 87 606.00	impractical
METSIMAHOLO AND FEZILE DABI T	90040446	20230524	R 108 670.17	impractical
PNEUMATIC RETAIL OPERATIONS	90040333	20230509	R 5 931.13	impractical
GISWA ENGINEERING CC	90040514	20230531	R 49 300.00	impractical
STEADFAST ENGINEERING	90040548	20230608	R 117 026.30	impractical
GISWA ENGINEERING CC	90040646	20230622	R 72 500.00	impractical
VAAL DOCUMENT MANAGEMENT (PTY	90040711	20230623	R 113 031.20	Sole Supplier
FRAMA (PTY) LTD	90040755	20230628	R 3 197.00	Sole Supplier
LESEDI LA MOTHEO HOLDINGS	90040649	20230622	R 36 850.00	impractical
TRUVELO AFRICA ELECTRONICS DI	90040637	20230621	R 5 000.00	Sole Supplier
STEADFAST ENGINEERING	90040636	20230621	R 123 876.56	impractical
NEW VAAL MOTORS (VER)	90040733	20230627	R 4 048.60	impractical
NEW VAAL MOTORS (VER)	90040734	20230627	R 14 608.90	impractical
VAAL DOCUMENT MANAGEMENT (PTY) LTD	90040803	20230630	R 35 353.68	Sole Supplier
Total			R 8 417 812.90	

55. Segment information

General information

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

55. Segment information (continued)

Identification of segments

The mandate of the municipality is to provide basic services to the community over which it governs. In order to execute its mandate and achieve its strategic goals, internal management reporting is

based on each service objective.

The components described below have been identified as individually significant segments for purposes of reporting according to these service objectives:

- Energy sources - Electricity generation and distribution
- Waste management - Solid waste and waste water management
- Water - Water provision and treatment
- Road transport - Road infrastructure provision and maintenance

The following individually insignificant segments, with similar economic characteristics, have been aggregated for reporting purposes.

- Governance and administration
- Community and public safety
- Economic and environmental services
- Other

The municipality does not monitor segments geographically.

The municipality monitors the following business units operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Aggregated segments

The municipality operates in Free State Province within Fezile Dabi District Municipality. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Free State were sufficiently similar to warrant aggregation.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Housing	Road Transport	Energy Sources	Waste Management	Waste Management	Water Management	Water Management	Other	Total
Revenue									
Property Rates	215 716 540	-	-	-	-	-	-	(4 389 282)	211 327 258
Service Charges	-	-	2 372 608	-	23 875	1 373 801	-	-	3 770 284
Fines, Penalties and Forfeits	-	-	-	-	-	-	-	2 897 737	2 897 737
Licences and permits	-	-	-	-	-	-	-	6 980	6 980
Transfers and Subsidies	-	42 834 291	43 189 152	13 718 988	69 167 400	7 856 537	219 951 469	-	396 717 837
Interest on receivables	16 149 465	-	-	-	-	-	-	-	16 149 465
Actuarial gains	-	-	-	-	-	-	-	10 739 866	10 739 866
Dividends	-	-	-	-	-	-	-	132 794	132 794
Interest on investments	-	-	-	-	-	-	-	13 828 863	13 828 863
Interest on receivables	-	-	7 878 485	5 745 250	3 717 972	59 535 059	7 213 021	-	84 089 787
Inventories reversal	-	-	-	-	-	-	-	(421 026)	(421 026)
Operational Revenue	-	-	-	-	-	-	-	159 323	159 323
Rental from Fixed Asset	6 075 400	-	-	-	-	-	-	439 190	6 514 590
Sales of Goods & Rendering	1 296	-	-	-	8 805	-	-	5 845 394	5 855 495
Service Charges	-	-	313 985 206	52 466 139	64 626 845	444 570 560	-	-	875 648 750
Total segment revenue	237 942 701	42 834 291	367 425 451	71 930 377	137 544 897	513 335 957	256 404 329	1 627 418 003	1 627 418 003
Entity's revenue									1 627 418 003

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

	Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total
55. Segment information (continued)								
Expenditure								
Bulk purchases	-	-	338 622 430	-	-	185 974 221	-	524 596 651
Contracted services	3 299	608 878	6 296 502	539 663	24 779 282	908 087	41 085 275	74 220 986
Default expenses	6 421 033	-	(1 669 898)	(979 052)	1 460 111	(6 990 612)	1 758 419	1
Depreciation	27 461	30 629 130	12 492 267	1 235 181	10 594 795	24 086 471	19 939 930	99 005 235
Employee related costs	5 952 571	19 694 271	24 170 179	35 568 121	11 862 380	20 814 601	224 958 365	343 020 488
Fair value adjustments	-	-	-	-	-	-	(252 677)	(252 677)
Impairment losses	69 464 676	-	29 534 818	29 432 450	18 435 968	263 991 748	6 862 102	417 721 762
Interest paid	-	-	847	12 596 441	-	-	671 181	13 268 469
Inventory Consumed	81 881	3 475 970	8 739 188	5 230 680	(1 061 661)	3 831 504	5 666 588	25 964 150
Loss on Disposal of Assets	-	-	-	(110 790)	(124 142)	-	14 853 905	14 618 973
Operating Leases	-	3 292 317	-	3 832 300	2 033 809	218 504	-	9 376 930
Operational costs	245 718	500 077	3 277 058	1 815 616	890 767	2 802 635	29 679 170	39 211 041
Remuneration of councillors	-	-	-	-	-	-	19 947 189	19 947 189
Transfers and Subsidies	-	-	-	-	-	-	256 730	256 730
Total segment expenditure	82 196 639	58 200 643	421 463 391	89 160 610	68 871 309	495 637 159	365 426 177	1 580 955 928
Total segmental surplus/(deficit)								46 462 075

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

2022

Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total
---------	-------------------	-------------------	---------------------	---------------------------	---------------------	-------	-------

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

55. Segment information (continued)

Revenue

Property rates	216 986 713	-	-	-	-	(5 790 943)	-	211 195 770
Service charges	-	-	892 754	-	24 847	1 327 696	-	2 245 297
Fines, penalties and forfeits	-	-	-	-	-	-	4 284 718	4 284 718
Licences and permits	-	-	-	-	-	-	14 650	14 650
Transfers and subsidies	-	33 243 348	41 384 766	20 880 934	114 717 723	21 121 176	180 187 238	411 535 185
Interest, dividends and rent on land earned	9 669 232	-	-	-	-	-	-	9 669 232
Service charges	-	-	328 061 337	41 959 749	68 268 781	441 926 059	-	880 215 926
Sales of Goods and Rendering of Services	16 400	2 644	-	-	8 196	-	6 894 835	6 922 075
Rental from Fixed Assets	6 303 374	-	-	-	-	-	696 835	7 000 209
Interest on receivables	-	-	4 911 878	3 201 254	2 124 294	36 602 456	4 713 186	51 553 068
Interest on investments	-	-	-	-	-	-	5 264 768	5 264 768
Operational revenue	-	-	-	-	-	-	239 152	239 152
Actuarial gains	-	-	-	-	-	-	15 243 377	15 243 377
Dividends	-	-	-	-	-	-	123 203	123 203
Inventoris reversal	-	-	-	-	-	-	418 844	418 844
Total segment revenue	232 975 719	33 245 992	375 250 735	66 041 937	185 143 841	495 186 444	218 080 806	1 605 925 474
Entity's revenue	1 605 925 474							

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

	Housing	Road Transport	Energy Cources	Waste Management	Waste Water Management	Water Management	Other	Total
55. Segment information (continued)								
Expenditure								
Employee Related Costs	6 887 938	20 315 773	22 672 272	34 843 530	11 641 693	18 766 628	221 323 622	336 451 456
Remuneration of Councillors	-	-	-	-	-	-	19 414 960	19 414 960
Depreciation and amortisation	11 761	16 549 973	11 152 627	1 297 710	7 924 517	24 754 228	11 864 999	73 555 815
Finance costs	-	498	134 972	11 284 757	25	429 613	233 568	12 083 433
Bulk purchases	-	-	333 805 718	-	-	177 019 885	-	510 825 603
Contracted services	-	6 192 278	392 446	120 522	25 146 803	2 269 023	42 015 444	76 136 516
Lease rentals on operating lease	-	1 714 614	-	362 923	-	120 471	201 974	2 399 982
Debt Impairment	52 191 373	-	20 341 984	18 459 917	10 929 226	399 677 874	10 476 360	512 076 734
Transfers and Subsidies	-	-	-	-	-	-	349 520	349 520
Operating costs	479 452	651 480	8 986 358	2 001 336	904 258	2 841 062	36 393 049	52 256 995
Loss on disposal of assets and liabilities	-	-	1 042 642	(402 347)	-	-	540	640 835
Fair value adjustments	-	-	-	-	-	-	391 927	391 927
Inventory consumed and repairs and maintenance	98 138	6 667 233	12 806 155	5 380 052	7 329 367	4 637 431	6 665 772	43 584 148
Total segment expenditure	59 668 662	52 091 849	411 335 174	73 348 400	63 875 889	630 516 215	349 331 735	1 640 167 924
Total segmental surplus/(deficit)								(34 242 450)

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

Aggregated segments

Segmental Statement of Financial Performance: GFS Classification

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

2023

2022

55. Segment information (continued)

2023

	Actual income	Actual expenditure	Surplus/(deficit)
Governance and administration			
Executive and council	-	(51 862 251)	(51 862 251)
Finance and administration	240 763 216	(189 766 883)	50 996 333
Internal audit	-	(3 098 356)	(3 098 356)
Community and public safety			
Community and social services	8 696 694	(4 796 972)	3 899 722
Housing	237 942 701	(82 196 638)	155 746 063
Public safety	3 684 862	(48 327 762)	(44 642 900)
Sport and recreation	241 961	(33 317 609)	(33 075 648)
Economic and environmental services			
Planning and Development	3 017 597	(30 493 457)	(27 475 860)
Road Transport	48 020 604	(58 200 643)	(10 180 039)
Trading services			
Energy Sources	367 425 451	(421 463 391)	(54 037 940)
Water Management	-	(3 762 886)	(3 762 886)
Waste Water Management	71 930 377	(89 160 608)	(17 230 231)
Waste Management	137 544 893	(68 871 310)	68 673 583
Other	513 335 956	(500 823 473)	12 512 483
Total	1 632 604 312	(1 586 142 239)	46 462 073

2022

	Actual income	Actual expenditure	Non-current assets*
Governance and administration			
Executive and council	-	(47 429 854)	(47 429 854)
Finance and administration	194 312 952	(192 802 903)	1 510 049
Internal audit	-	(2 922 282)	(2 922 282)
Community and public safety			
Community and social services	4 345 986	(4 524 583)	(178 597)
Housing	232 975 719	(64 276 932)	168 698 787
Public safety	6 933 465	(49 444 878)	(42 511 413)
Sport and recreation	3 486 249	(33 638 683)	(30 152 434)
Economic and environmental services			
Planning and Development	3 211 213	(16 355 393)	(13 144 180)
Road Transport	33 245 993	(52 091 849)	(18 845 856)
Trading services			
Energy Sources	375 250 735	(409 876 848)	(34 626 113)
Waste Management	66 041 936	(72 407 889)	(6 365 953)
Waste Water Management	185 143 839	(64 845 439)	120 298 400
Water Management	500 977 387	(625 687 891)	(124 710 504)
Other	-	(3 862 500)	(3 862 500)
Total	1 605 925 474	(1 640 167 924)	(34 242 450)

56. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

METSIMAHOLO LOCAL MUNICIPALITY

(Registration number FS 204 - Local Municipality)

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

56. Budget differences (continued)

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The audited annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The audited annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The audited annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the audited annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the audited annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

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

57. VAT receivable

VAT	162 315 616	170 253 025
-----	-------------	-------------

The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

During the year, the municipality did not make any payments to SARS.

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. The amount receivable for the month of 30 June 2023 on cash basis is R 6 594 410.84.

58. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 46).

59. Accounting by principals and agents

There were no Principal and Agent Arrangements during the year under review.