



MAFUBE LOCAL MUNICIPALITY

(Demarcation code: FS205)

**UNAUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Mf

Matube Local Municipality

(Demarcation code: FSZ05)
Unaudited Annual Financial Statements for the year ended 30 June 2023

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Abbreviations used:

| | |
|---------|--|
| AO | Accounting Officer |
| ASB | Accounting Standards Board |
| CIGFARO | Chartered Institute of Government Finance, Audit and Risk Officers |
| CFO | Chief Finance Officer |
| CLLR | Councillor |
| CPI | Consumer Price Index |
| CRG | Current Replacement Cost |
| DORA | Division of Revenue Act |
| DTSL | Department of Transport, Safety and Liaison |
| DWS | Department of Water Affairs and Sanitation |
| DBSA | Development Bank of South Africa |
| ERWP | Expanded Public Works Programme |
| FMG | Finance Management Grant |
| GRAP | Generally Recognized Accounting Practice |
| GLCCM | General Landfill Closure Costing Model |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IDP | Integrated Development Plan |
| IRD | Initial Rate of Deposition |
| IPSAS | International Public Sector Accounting Standards |
| INEP | Integrated National Electrification Programme |
| LFG | Landfill Gas |
| LG SETA | Local Government Sector Education Training Programme |
| LSA | Long Service Awards |
| MEC | Member of the Executive Council |
| MEMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| MLCM | Municipal Landfill Closure Costing Model |
| MPAC | Municipal public account committee |
| mSCOA | Municipal Standard Chart of Accounts |
| MSIG | Municipal Systems Improvement Grant |
| NERSA | National Energy Regulator of South Africa |
| PAYE | Pay As You Earn |
| PEMA | Post-employment Medical Aid Subsidy Liability |
| PPPs | Public Private Partnerships |
| RDP | Reconstruction and Development Programme |
| SALGA | South African Local Government Association |
| SARS | South African Revenue Service |
| SA GAAP | Service Delivery and Budget Implementation Plan |
| SDBIP | Skills Development Levy |
| SDL | Surveyor-General |
| SG | Unemployment Insurance Fund |
| UIF | Value Added Taxation |
| VAT | Workers Compensation Administration |
| WCA | |

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Relevant Legislation:

- Constitution of the Republic of South Africa (Act no 108 of 1996)
- Municipal Finance Management Act (Act no 56 of 2003)
- Division of Revenue Act (Act 1 of 2008)
- The Income Tax Act (Act 58 of 62)
- Value Added Tax Act (Act 89 of 1991)
- Municipal Structures Act (Act no 117 of 1998)
- Municipal Systems Act (Act no 32 of 2000)
- Water Services Act (Act no 108 of 1997)
- Housing Act (Act no 107 of 1997)
- Municipal Property Rates Act (Act no 6 of 2004)
- Electricity Act (Act no 41 of 1987)
- Skills Development Levies Act (Act no 9 of 1999)
- Employment Equity Act (Act no 55 of 1998)
- Unemployment Insurance Act (Act no 30 of 1966)
- Basic Conditions of Employment Act (Act no 75 of 1997)

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General Information

| | |
|--|--|
| Legal form of entity | South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). |
| Nature of business and principal activities | Matube Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996). The municipality's operations are governed by the Local Government: Municipal Finance Management Act (MFMFA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations. |
| Municipal demarcation code | FS205 |
| Wage curve categorisation | Low capacity municipality |
| Accounting Officer | Adv. MF Lephreana Mr LJ Ralebenya |
| Chief Finance Officer (CFO) | Mr GA Mgcoha (Acting) |
| Registered office | 64 JJ Hadebe Street Frankfort Free State 9830 |
| Postal address | PO Box 2 Frankfort Free State 9830 |
| Bankers | ABSA Bank Limited FNB Bank Limited |
| Auditors | Auditor General - South Africa |
| Attorneys | Peyper Attorneys Bokwa Attorneys |
| Level of assurance | These annual financial statements has been prepared in compliance with the applicable requirements of the Municipal Finance Management Act, No 56 of 2003. |
| Telephone number | 058 813 1051/9700/9718 |
| Email address | advlephre@gmail.com |
| Website | http://www.matube.fs.gov.za/ |

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Members of the Municipal Council**Mayor**

Cllr. TI Motsoeneng

Speaker

Cllr. MM Motokeng

Ward Councillors

Cllr. TJ Kotsi
 Cllr. MP Mokoena
 Cllr. SB Ntuli
 Cllr. A Tsotetsi
 Cllr. MR Tsotetsi
 Cllr. TP Mashiloane
 Cllr. MA Tsabane
 Cllr. AN Molele
 Cllr. SM Steyn
 Cllr. FA Tsotetsi
 Cllr. WBM Gumede
 Cllr. EM Maboya
 Cllr. JJ Kumbi
 Cllr. TBRJ Van Rensburg
 Cllr. JB Marais

Council committees**Executive Committee**

Chairperson:
 Members:

Cllr. TI Motsoeneng
 Cllr. J Kotsi
 Cllr. EM Maboya

Finance committee

Chairperson:
 Members:

Cllr. SB Ntuli
 Cllr. M Mokoena
 Cllr. F Tsotetsi

Community Services Portfolio

Chairperson:
 Members:

Cllr. N Molele
 Cllr. W Gumede
 Cllr. J Marais

Infrastructure Portfolio

Chairperson:
 Members:

Cllr. Tsabane Moabi
 Cllr. J Kumbi
 Cllr. T Van Rensburg

Corporate Services Portfolio

Chairperson:
 Members:

Cllr. P Mashiloane
 Cllr. J Marais
 Cllr. F Tsotetsi

Municipal public account committee (MPAC)

Chairperson:
 Members:

Cllr. M Tsotetsi
 Cllr. S Steyn
 Cllr. T Van Rensburg

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Accounting Officer's Responsibilities and Approval

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

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

The accounting officers acknowledge that they are 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 officers 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 officers are 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 unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements are 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 most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality complies with all legislative requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's management team, external auditors and other oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements.

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Accounting Officer's Responsibilities and Approval

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The unaudited annual financial statements set out on page 4 - 115, which have been prepared on the going concern basis, were approved by the accounting officer on 01 March 2024 and was signed by him.



Adk. MF. Lophreya
Municipal Manager (Accounting Officer)
Matube Local Municipality
01 March 2024

MF

Matube Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2023.

1. Review of activities**Main business and operations**

The municipality is engaged in Matube local municipality/is local municipality performing functions as set out in the constitution (Act no 105 of 1996) and operates principally in South Africa.

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act: 1998 and operates in South Africa. The municipality is a South African category B.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 124,757,474 (2022: deficit R 173,175,431).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 125,673,759 and that the municipality's total assets exceed its liabilities by R 125,673,759.

The unaudited 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.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The Accounting Officer does not have an interest in contracts awarded, either direct or indirect.

5. Accounting policies

The unaudited annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name
Adv. MF Lephheana
Mr LJ Ralebenya

7. Bankers

The municipality's primary bank accounts are with ABSA Bank Limited and First National Bank Limited and will continue to bank with them in the new financial year.

8. Auditors

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

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Accounting Officer's Report

9. Public Private Partnership

The municipality did not enter into any Public Private Partnerships for the financial year under review, nor does it have any existing PPP's

10. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

The municipality was unable to comply due to numerous financial system challenges faced during the year.

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Accounting Officer's Report

11. Municipal Jurisdiction

Matube Municipality have the following surrounding towns under its jurisdiction:

- Villiers
- Cornelia
- Frankfort
- Tweeling



The unaudited annual financial statements set out on pages 8 to 115, which have been prepared on the going concern basis, were approved by the accounting officer on 01 March 2024 and was signed by him.

Adriaan van der Merwe
Municipal Manager (Accounting Officer)
Matube Local Municipality
01 March 2024

Matube Local Municipality

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 Unaudited Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 7 993,750 | 2 004,758 |
| Inventories | 5 | 1 317,521 | 1 455,828 |
| Other financial assets | 6 | 301,258 | 276,039 |
| Receivables from exchange transactions | 7&8 | 15 564,747 | 18 690,491 |
| Receivables from non-exchange transactions | 8&8&10 | 3 336,713 | 3 982,907 |
| VAT receivable | 11 | 62 205,100 | 82 650,251 |
| Total Current Assets | | 90,719,089 | 109,060,274 |
| Non-Current Assets | | | |
| Other financial assets | 6 | 258,351 | 280,149 |
| Heritage assets | 12 | 35,758 | 35,758 |
| Investment property | 13 | 44,874,532 | 44,037,815 |
| Property, plant and equipment | 14 | 1,162,626,669 | 1,160,862,443 |
| Total Non-Current Assets | | 1,207,795,310 | 1,205,196,165 |
| Total Assets | | 1,298,514,399 | 1,314,256,439 |
| Liabilities | | | |
| Current Liabilities | | | |
| Consumer deposits | 15 | 1,781,886 | 1,696,784 |
| Employee benefit obligation | 16 | 1,717,314 | 1,758,451 |
| Payables from exchange transactions | 17 | 1,077,947,870 | 974,060,399 |
| Provisions | 18 | 3,922,676 | 2,158,028 |
| Unspent conditional grants and receipts | 19 | 20,511,292 | 19,458,649 |
| Total Current Liabilities | | 1,105,861,038 | 999,132,321 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 16 | 11,085,396 | 12,078,627 |
| Provisions | 18 | 55,874,206 | 52,614,258 |
| Total Non-Current Liabilities | | 66,959,602 | 64,692,885 |
| Total Liabilities | | 1,172,840,640 | 1,063,825,206 |
| Net Assets | | 125,673,759 | 250,431,233 |
| Accumulated surplus | | 125,673,759 | 250,431,233 |
| Total Net Assets | | 125,673,759 | 250,431,233 |

* See Note 44

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Statement of Financial Performance for the year ended 30 June 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Interest income | 20 | 55,040,541 | 35,346,130 |
| Rental of facilities and equipment | 21 | 615,152 | 1,964,939 |
| Service charges | 22 | 79,965,543 | 70,954,015 |
| Operational revenue | 23 | 9,859,605 | 6,517,271 |
| Prescribed revenue | | 812,400 | - |
| Total revenue from exchange transactions | | 146,293,241 | 114,782,355 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 24 | 23,247,693 | 22,319,495 |
| Interest - Taxation revenue | 25 | 6,900,483 | 4,826,178 |
| Transfer revenue | | | |
| Fines, Penalties and Forfeits | 26 | 142,500 | 61,300 |
| Government grants and subsidies | 27 | 163,110,356 | 144,082,508 |
| Public contributions and donations | 28 | 12,765,526 | 617,441 |
| Total revenue from non-exchange transactions | | 206,186,558 | 171,906,922 |
| Total revenue | | 352,479,799 | 286,689,277 |
| Expenditure | | | |
| Bulk purchases | 29 | (27,966,963) | (37,301,646) |
| Debt impairment | 30 | (155,433,538) | (130,100,834) |
| Depreciation and amortisation | 31 | (39,621,758) | (38,826,714) |
| Employee related costs | 32 | (107,215,635) | (106,849,380) |
| Finance costs | 33 | (67,425,091) | (58,333,809) |
| General expenses | 34 | (71,695,829) | (84,816,736) |
| Remuneration of councillors | 35 | (6,349,850) | (6,247,271) |
| Total expenditure | | (475,708,664) | (462,476,390) |
| Operating deficit | | | |
| Loss on disposal of assets and liabilities | 13 | (123,228,865) | (175,787,113) |
| Actuarial gains | 16 | (3,147) | (255,873) |
| Fair value adjustments | 17 | 1,925,320 | 1,672,397 |
| Impairment loss | 37 | 836,718 | 1,536,630 |
| Inventories losses/write-downs | 36 | (4,357,294) | (653,131) |
| | | 69,794 | 311,659 |
| Deficit for the year | | (124,757,474) | (173,175,431) |

* See Note 44

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Statement of Changes in Net Assets for the year ended 30 June 2023

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---------------------|--------------------|
| Opening balance as previously reported | 432,171,357 | 432,171,357 |
| Adjustments | (8,564,693) | (8,564,693) |
| Prior year adjustments 44 | 423,606,664 | 423,606,664 |
| Balance at 01 July 2021 as restated* | 423,606,664 | 423,606,664 |
| Changes in net assets | (173,175,431) | (173,175,431) |
| Deficit for the year | (173,175,431) | (173,175,431) |
| Total changes | (173,175,431) | (173,175,431) |
| Opening balance as previously reported | 257,037,842 | 257,037,842 |
| Adjustments | (6,606,609) | (6,606,609) |
| Prior year adjustments 44 | 250,431,233 | 250,431,233 |
| Restated* Balance at 01 July 2022 as restated* | 250,431,233 | 250,431,233 |
| Changes in net assets | (124,757,474) | (124,757,474) |
| Deficit for the year | (124,757,474) | (124,757,474) |
| Total changes | (124,757,474) | (124,757,474) |
| Balance at 30 June 2023 | 125,673,759 | 125,673,759 |

* See Note 44

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Cash Flow Statement for the year ended 30 June 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Taxation | | 30,794,371 | 22,005,955 |
| Sale of goods and services | | 182,233,789 | 141,083,034 |
| Grants | | 164,163,000 | 152,622,000 |
| Interest income | | 558,374 | 540,448 |
| | | <u>377,749,534</u> | <u>316,251,437</u> |
| Payments | | | |
| Employee costs | | (112,674,533) | (112,758,365) |
| Suppliers | | (190,460,864) | (147,154,978) |
| Finance costs | | (67,425,091) | (58,333,809) |
| | | <u>(370,560,488)</u> | <u>(318,247,152)</u> |
| Net cash flows from operating activities | 39 | <u>7,189,046</u> | <u>(1,995,715)</u> |
| Cash flows from investing activities | | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (1,176,638) | (4,340,595) |
| Proceeds from sale of financial assets | 14 | (23,421) | (19,237) |
| Net cash flows from investing activities | | <u>(1,200,059)</u> | <u>(4,359,832)</u> |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the year | | 5,988,987 | (6,355,547) |
| Cash and cash equivalents at the end of the year | 4 | <u>7,993,745</u> | <u>8,360,309</u> |

* See Note 44

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Unaudited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2023

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 Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Interest income | 4,524,351 | (4,456,175) | 68,176 | 55,040,541 | 54,972,365 | Note 58.5 |
| Operational revenue | 2,009,747 | 682,533 | 2,692,280 | 9,859,605 | 7,167,325 | Note 58.4 |
| Prescribed revenue | - | - | - | 812,400 | 812,400 | Note 58.3 |
| Rental of facilities and equipment | 673,208 | (378,983) | 294,225 | 615,152 | 320,927 | Note 58.2 |
| Service charges | 105,791,972 | (40,689,833) | 65,102,139 | 79,965,543 | 14,863,404 | Note 58.1 |
| Total revenue from exchange transactions | 112,999,278 | (44,842,458) | 68,156,820 | 146,293,241 | 78,136,421 | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Interest - Taxation revenue | 20,792,020 | 22,079,676 | 42,871,696 | 6,900,483 | (35,971,213) | Note 58.8 |
| Property rates | 30,334,644 | (6,676,308) | 23,658,336 | 23,247,693 | (410,643) | Note 58.7 |
| Transfer revenue | | | | | | |
| Fines, Penalties and Forfeits | - | 123,514 | 123,514 | 142,500 | 18,986 | Note 58.11 |
| Government grants and subsidies | 122,003,000 | - | 122,003,000 | 163,110,356 | 41,107,356 | Note 58.9 |
| Public contributions and donations | - | - | - | 12,785,526 | 12,785,526 | Note 58.10 |
| Total revenue from non-exchange transactions | 173,129,664 | 15,526,882 | 188,656,546 | 206,186,558 | 17,530,012 | |
| Total revenue | 286,128,942 | (29,315,576) | 256,813,366 | 352,479,799 | 95,666,433 | |

Mafube Local Municipality

(Registration number FS205)

Unaudited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|------------|
| Figures in Rand | | | | | | |
| Expenditure | | | | | | |
| Bulk purchases | (5,000,000) | - | (5,000,000) | (27,966,963) | (22,966,963) | Note 58.16 |
| Contracted Services | (25,872,550) | 7,104,288 | (18,768,262) | - | 18,768,262 | |
| Debt Impairment | (8,663,027) | (13,386,176) | (22,049,203) | (155,433,538) | (133,384,335) | Note 58.15 |
| Depreciation and amortisation | (19,267,600) | - | (19,267,600) | (39,621,758) | (20,354,158) | Note 58.21 |
| Employee related costs | (130,593,358) | 18,523,418 | (112,069,940) | (107,215,635) | 4,854,305 | Note 58.12 |
| Finance costs | (17,290,125) | - | (17,290,125) | (67,425,091) | (50,134,966) | Note 58.14 |
| General Expenses | (40,694,392) | (484,194) | (41,178,586) | (71,695,829) | (30,517,243) | Note 58.18 |
| Inventory consumed | (5,434,500) | - | (5,434,500) | - | 5,434,500 | Note 58.20 |
| Losses | (500,000) | - | (500,000) | - | 500,000 | |
| Remuneration of councillors | (11,399,215) | 4,229,282 | (7,169,933) | (6,349,850) | 820,083 | Note 58.13 |
| Transfers and Subsidies | (4,018,903) | 1,376,240 | (2,642,663) | - | 2,642,663 | |
| Total expenditure | (268,733,670) | 17,362,858 | (251,370,812) | (475,708,664) | (224,337,852) | |
| Operating deficit | 17,395,272 | (11,952,718) | 5,442,554 | (123,228,865) | (128,671,419) | |
| Actuarial gains | - | - | - | 1,925,320 | 1,925,320 | |
| Fair value adjustments | - | - | - | 836,718 | 836,718 | |
| Loss on disposal of assets and liabilities | - | - | - | (3,147) | (3,147) | |
| Impairment loss/ Reversal of impairments | - | - | - | (4,357,294) | (4,357,294) | |
| Inventories losses/write-downs | - | - | - | 69,794 | 69,794 | |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 55,360,000 | 5,000,000 | 60,360,000 | - | (60,360,000) | |
| | 55,360,000 | 5,000,000 | 60,360,000 | (1,528,609) | (61,888,609) | |
| Deficit before taxation | 72,755,272 | (6,952,718) | 65,802,554 | (124,757,474) | (190,560,028) | |

Mafube Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|------------------|----------------------|------------------------------------|--|------------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | 90,612,974 | - | 90,612,974 | 7,993,750 | (82,619,224) | Note 58.26 |
| Inventories | 477,164 | - | 477,164 | 1,317,521 | 840,357 | Note 58.22 |
| Other financial assets | - | - | - | 301,258 | 301,258 | |
| Receivables from exchange transactions | 25,704,889 | - | 25,704,889 | 15,564,747 | (10,140,142) | Note 58.23 |
| Receivables from non-exchange transactions | - | - | - | 3,336,713 | 3,336,713 | Note 58.24 |
| VAT receivable | - | - | - | 222,814,131 | 222,814,131 | Note 58.25 |
| Total current assets | 116,795,027 | - | 116,795,027 | 251,328,120 | 134,533,093 | |
| Non-Current Assets | | | | | | |
| Heritage assets | - | - | - | 35,758 | 35,758 | Note 58.29 |
| Intangible assets | 2,863,633 | (1,000,000) | 1,863,633 | - | (1,863,633) | |
| Investment property | 76,875,883 | - | 76,875,883 | 44,874,532 | (32,001,351) | Note 58.27 |
| Other non-current assets | 35,757 | - | 35,757 | - | (35,757) | |
| Other financial assets | 444,500 | - | 444,500 | 258,351 | (186,149) | Note 58.30 |
| Property, plant and equipment | 959,815,675 | 10,500,000 | 970,315,675 | 1,162,626,669 | 192,310,994 | Note 58.28 |
| Total non-current assets | 1,040,035,448 | 9,500,000 | 1,049,535,448 | 1,207,795,310 | 158,259,862 | |
| Total Assets | 1,156,830,475 | 9,500,000 | 1,166,330,475 | 1,459,123,430 | 292,792,955 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Consumer deposits | 565,972 | - | 565,972 | 1,781,886 | 1,215,914 | Note 58.33 |
| Employee benefit obligation | - | - | - | 1,717,314 | 1,717,314 | Note 58.34 |
| Payables from exchange transactions | (11,089,355) | - | (11,089,355) | 1,077,947,866 | 1,089,037,221 | Note 58.31 |
| Provisions | 16,091,493 | - | 16,091,493 | 3,922,676 | (12,168,817) | Note 58.36 |

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Unaudited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|------------------|----------------------|------------------------------------|--|------------|
| Figures in Rand | | | | | | |
| Unspent conditional grants and receipts | - | - | - | 20,511,292 | 20,511,292 | Note 58.35 |
| VAT payable | - | - | - | 160,609,031 | 160,609,031 | Note 58.32 |
| Total current liabilities | 5,568,110 | - | 5,568,110 | 1,266,490,065 | 1,260,921,955 | |
| Non-Current Liabilities | | | | | | |
| Employee benefit obligation | - | - | - | 11,085,396 | 11,085,396 | Note 58.37 |
| Provisions | 16,735,103 | - | 16,735,103 | 55,874,206 | 39,139,103 | Note 58.38 |
| Total non-current liabilities | 16,735,103 | - | 16,735,103 | 66,959,602 | 50,224,499 | |
| Total Liabilities | 22,303,213 | - | 22,303,213 | 1,333,449,667 | 1,311,146,454 | |
| Net Assets | 1,134,527,262 | 9,500,000 | 1,144,027,262 | 125,673,763 | (1,018,353,499) | |
| Net Assets | | | | | | |
| Accumulated surplus | 1,134,527,262 | 9,500,000 | 1,144,027,262 | 125,673,759 | (1,018,353,503) | Note 58.39 |

The accounting policies on pages 19 to 48 and the notes on pages 49 to 115 form an integral part of the unaudited annual financial statements.

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Accounting Policies for the year ended 30 June 2023

Figures in Rand

Note(s)

2023

2022

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The amounts disclosed in the annual financial statements are rounded-off to the nearest Rand.

1.3 Going concern assumption

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

1.4 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.

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

1.5 Significant judgements and sources of estimation uncertainty

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

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Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes 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 trade receivables is calculated on a payment rate basis per consumer. The payment rate is calculated on the total payments received per consumer in the current year, and then divided by the total revenue billed per consumer for the current year. The percentage is then converted to a non payment ratio. The non payment ratio is then multiplied with the consumers total outstanding balance. The movement between a consumers yearly impairment balance are accounted through profit and loss in the statement of financial performance.

Allowance for slow moving, damaged and obsolete stock

Management's judgement is required when determining the write down of stock 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 inventory 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.

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

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.

Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and investment properties. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that a depreciating asset is nearing the end of its useful life, the availability of budget to replace the asset is considered. If the asset is not budgeted to be replaced, the useful life is extended by one year. Depreciation is adjusted going forward.

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 liability.

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

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Accounting Policies**1.5 Significant judgements and sources of estimation uncertainty (continued)****Effective interest rate**

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for impairment

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.

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (GRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (GRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note .

Segment reporting

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to management.

1.6 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 fair value. Transaction costs are included in the initial measurement.

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Accounting Policies**1.6 Investment property (continued)**

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.

Fair value

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

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

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

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

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

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.

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the unaudited annual financial statements (see note 13). Cost incurred to repair and maintain investment property comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the unaudited annual financial statements (see note 13). All investment property under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

1.7 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.

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Accounting Policies

1.7 Property, plant and equipment (continued)

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 |
|--------------------------------------|---------------------|---------------------|
| Immovable assets | | |
| Buildings | Straight-line | 10- 50 years |
| Community | Straight-line | 5 - 60 years |
| Infrastructure - Electricity network | Straight-line | 5 - 60 years |
| Infrastructure - Roads network | Straight-line | 5 - 60 years |
| Infrastructure - Solid waste network | Straight-line | 5 - 60 years |
| Infrastructure - Water network | Straight-line | 5 - 60 years |
| Land | Straight-line | Indefinite |
| Movable assets | | |
| Computer equipment | Straight-line | 2 - 5 years |
| Furniture and fixtures | Straight-line | 3 - 15 years |
| Motor vehicles | Straight-line | 3 - 15 years |
| Plant and machinery | Straight-line | 3 - 80 years |

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

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

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Accounting Policies**1.7 Property, plant and equipment (continued)**

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 14). The expenditure to repair and maintain property, plant and equipment comprises of goods and services and contracted services. These cost excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

1.8 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.

1.9 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.

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Accounting Policies

1.9 Intangible assets (continued)

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.

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight-line | 3-5 years |

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

Intangible assets are derecognised:

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

1.10 Heritage assets

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

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.

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Accounting Policies**1.10 Heritage assets (continued)**

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12). Cost incurred to repair and maintain heritage assets comprises of goods and services and contracted services. These costs excludes labour cost.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12). Heritage Assets under construction are carried at cost. All assets under construction which have exceeded the initial planned completion date by two years are considered to be taking a significantly longer period of time to complete than expected.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

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). The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance

1.11 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.

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Accounting Policies

1.11 Financial Instruments (continued)

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.

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

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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of utilised capital;

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Accounting Policies

1.11 Financial instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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 or Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value; instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

| Class | Category |
|--|--|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

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

| Class | Category |
|-------------------------------------|--|
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Other financial liabilities | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised cost |

1.12 Statutory receivables

Identification

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

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

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Accounting Policies**1.12 Statutory receivables (continued)**

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.

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

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Accounting Policies**1.12 Statutory receivables (continued)**

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

Derecognition

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

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

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

1.13 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.

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Accounting Policies**1.13 Leases (continued)****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 municipality's incremental borrowing rate.

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.

The depreciation policy for depreciable leased assets is consistent with the normal depreciation policy for similar assets.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

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. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing, construction or production process.

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

- 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.

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Accounting Policies**1.14 Inventories (continued)**

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, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position 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 is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.15 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

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Accounting Policies**1.16 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.17 Impairment of cash and non-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.

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

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

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

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

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

- None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and
- Although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows.

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:

- the 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.

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Accounting Policies**1.17 Impairment of cash and non-cash-generating assets (continued)****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.

Respective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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.

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.

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.

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Accounting Policies**1.17 Impairment of cash and non-cash-generating assets (continued)****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.

1.18 Employee benefits

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

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which a municipality 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. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sum payments are charged against the statement of financial performance in the year in which they become payable.

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Accounting Policies**1.18 Employee benefits (continued)****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; 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 municipality during a reporting period, the municipality recognise 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 municipality recognise 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

Post-employment benefits

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

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 16.

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Accounting Policies

1.18 Employee benefits (continued)

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 recognise 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 recognise 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.

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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 recognise 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 recognise past service cost as an expense in the reporting period in which the plan is amended.

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

Any adjustments arising from the limit above is recognised in surplus or deficit.

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;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

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.

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Accounting Policies**1.18 Employee benefits (continued)****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.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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Accounting Policies**1.19 Provisions and contingencies (continued)**

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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 1.17.

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.

1.20 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will incur in the period subsequent to the specific reporting date. The municipality discloses capital commitments exclusive of VAT.

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.

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Accounting Policies**1.21 Revenue from exchange transactions (continued)****Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid 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.

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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

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Accounting Policies**1.21 Revenue from exchange transactions (continued)****Interest**

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

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

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

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

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.

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

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

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

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

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

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

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

Recognition

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

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

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Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

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

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

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Availability charges

The municipality recognises revenue for charges billed to consumers for all vacant or undeveloped land that has been serviced. These properties are not connected to the municipal infrastructure, but can be reasonably be connected to the service.

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

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Accounting Policies**1.22 Revenue from non-exchange transactions (continued)****Fines**

Availability charges arise from the application of the approved tariff of charges and is recognised when the the asset recognition criteria is met.

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.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

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

Bequests

Bequests that satisfy the definition of an asset 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.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.23 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.

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

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 2017/07/01. The effective date of the amendments was 2020/04/01.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

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Accounting Policies

1.25 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 reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.26 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality's approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

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

1.27 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.

Fruitless and wasteful expenditure is disclosed inclusive of VAT.

1.28 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 excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is disclosed inclusive of VAT.

1.29 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with Council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrears accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.30 Offsetting

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

1.31 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);

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Accounting Policies

1.31 Segment information (continued)

- 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.

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.

1.32 Budget information

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

The approved budget is prepared on an accrual basis and presented in accordance with the GRAP reporting framework.

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

The annual financial statements and the budget are on the same accounting basis and for the same municipality and same period but not on the same classification basis therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements based on the prescribed budget schedules using tables B1, B4, B6 and B7.

1.33 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.

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.

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.

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

1.34 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:

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Accounting Policies**1.34 Events after reporting date (continued)**

- 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 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.

1.35 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.36 Bad debts written off

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the debt provision account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.37 Value Added Tax

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.38 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested 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 liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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Accounting Policies

1.38 Bad debts written off (continued)

- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the unspent conditional grant into the Statement of Financial Performance as revenue.

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2023

2022

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|---|
| <ul style="list-style-type: none"> • IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction • Guideline: Guideline on the Application of Materiality to Financial Statements • GRAP 104 (as revised): Financial Instruments • IGRAP 21: The Effect of Past Decisions on Materiality • GRAP 2020: Improvements to the standards of GRAP 2020 • GRAP 1 (amended): Presentation of Financial Statements | <p>01 April 2023</p> <p>01 April 2019</p> <p>01 April 2025</p> <p>01 April 2023</p> <p>01 April 2023</p> <p>01 April 2023</p> | <p>Unlikely there will be a material impact</p> <p>Unlikely there will be a material impact</p> <p>Unlikely there will be a material impact</p> <p>Unlikely there will be a material impact</p> <p>Unlikely there will be a material impact</p> <p>Unlikely there will be a material impact</p> |

3. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

Receivables from exchange transactions
Cash and cash equivalents

| At amortised cost | Total |
|-------------------|-------------------|
| 15,564,745 | 15,564,745 |
| 7,993,751 | 7,993,751 |
| 23,558,496 | 23,558,496 |

Financial liabilities

Payables from exchange transactions
Consumer deposits

| At amortised cost | Total |
|----------------------|----------------------|
| 1,077,947,864 | 1,077,947,864 |
| 1,781,886 | 1,781,886 |
| 1,079,729,750 | 1,079,729,750 |

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2023

2022

3. Financial instruments disclosure (continued)

2022

Financial assets

Receivables from exchange transactions
 Cash and cash equivalents

| At amortised cost | Total |
|-------------------|-------------------|
| 18,690,491 | 18,690,491 |
| 2,004,759 | 2,004,759 |
| 20,695,250 | 20,695,250 |

Financial liabilities

Payables from exchange transactions
 Consumer deposits

| At amortised cost | Total |
|--------------------|--------------------|
| 974,060,402 | 974,060,402 |
| 1,696,794 | 1,696,794 |
| 975,757,196 | 975,757,196 |

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2023 2022

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances
 Short-term deposits

| | |
|------------------|------------------|
| 474,647 | 148,128 |
| 7,519,103 | 1,856,630 |
| 7,993,750 | 2,004,758 |

The total amount of undrawn facilities available for future operating activities and commitments

| | |
|------------------|------------------|
| 7,993,750 | 2,004,758 |
| 7,993,750 | 2,004,758 |

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

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

The credit rating was obtained from Moody's Investor Services Inc. Moody's rating methodology has been revised, and the bank financial strength ratings have been withdrawn. This has been replaced with the Baseline Credit Assessment.

Credit rating of financial institutions

| | |
|------------------|------------------|
| 7,993,751 | 2,004,759 |
| 7,993,751 | 2,004,759 |

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 | 30 June 2023 | |
| Current accounts | | | | | | | | |
| ABSA Bank - Cheque Account - 4052823517 | 351,641 | 25,797 | 416,633 | 474,293 | 148,350 | 416,633 | 416,633 | |
| First National Bank - ChequelaAccount - 62817361679 | 355 | (222) | 198,542 | 355 | (222) | 198,542 | 198,542 | |
| Short-term Investments | | | | | | | | |
| ABSA Bank - Call Account - 9090111270 | 2,251 | 972,770 | 251 | 2,251 | 972,770 | 251 | 251 | |
| ABSA - Call Account - 9229616782 | 1,993,483 | 11,210 | 35,511 | 1,993,483 | 11,210 | 35,511 | 35,511 | |
| ABSA Bank - Call Account - 9232387538 | 2,771 | 611 | 611 | 2,771 | 611 | 611 | 611 | |
| First National Bank - CallAccount - 62817394901 | 879,974 | 871,667 | 5,632,972 | 879,974 | 871,667 | 5,632,972 | 5,632,972 | |
| First National Bank - CallAccount - 62850214778 | 4,640,625 | 372 | 2,075,790 | 4,640,625 | 372 | 2,075,790 | 2,075,790 | |
| Total | 7,871,100 | 1,882,205 | 8,360,310 | 7,993,751 | 2,004,758 | 8,360,310 | 8,360,310 | |

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Matube Local Municipality

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| | 2023 | 2022 |
|--|------------------|------------------|
| 5. Inventories | | |
| Consumable stores | 725,356 | 1,025,712 |
| Water for distribution | 592,165 | 430,116 |
| | 1,317,521 | 1,455,828 |
| Water for distribution | | |
| Opening balance | 430,116 | 69,546 |
| Water Purchased | 28,058,278 | 44,020,102 |
| Water Purification cost of water inventory | 6,387,153 | 3,447,783 |
| Water Sold | (34,445,431) | (47,467,885) |
| Water losses (inventories (write-downs)) | 162,048 | 360,570 |
| Closing balance | 592,165 | 430,116 |
| 6. Other financial assets | | |
| At amortised cost | | |
| VKB Agriculture Limited - Member Funds | 258,351 | 260,149 |
| The member funds arises from awards earned by members based on purchases. Awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan. | | |
| VKB Agriculture Limited - Membership | 84,335 | 84,335 |
| The membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled. | | |
| VKB Agriculture Limited - Security member loan | 82,199 | 69,122 |
| When the member fund awards mature after 15 years, it is transferred to the member loan account. The loan serves as security against the trading account. The loan is payable on demand after settling any outstanding balance on the trading account. | | |
| VKB Agriculture Limited - Short term member loan | 134,724 | 122,582 |
| The member loan bears interest and is available on demand. | | |
| Non-current assets | | |
| At amortised cost | 559,609 | 536,188 |
| | 258,351 | 260,149 |
| Current assets | | |
| At amortised cost | 301,258 | 276,039 |
| | 301,258 | 276,039 |

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| | 2023 | 2022 |
|--|-------------------|-------------------|
| 7. Receivables from exchange transactions | | |
| Other receivables - Overpayment of Salaries | 2,396,539 | 2,396,539 |
| Other receivable - Rural Maintenance | 4,631,689 | 4,631,689 |
| Sundry debtors | 167,337 | 6,967 |
| Other debtors | 8,800 | 8,800 |
| Consumer debtors - Electricity | 20,480 | 142,191 |
| Consumer debtors - Water | 5,635,964 | 8,208,690 |
| Consumer debtors - Sewerage | 1,638,948 | 1,861,275 |
| Consumer debtors - Refuse | 798,312 | 879,003 |
| Consumer debtors - Sundry | 266,678 | 555,337 |
| | 15,564,747 | 18,690,491 |

Trade and other receivables pledged as security

No Trade and other receivables from exchanges transactions were pledged as security

Fair value of trade and other receivables

| | | |
|-----------------------------|-------------------|-------------------|
| Trade and other receivables | 15,564,747 | 18,690,491 |
| | 15,564,747 | 18,690,491 |

Reconciliation of provision for impairment of trade and other receivables

| | | |
|--------------------------|----------------------|----------------------|
| Opening balance | (255,350,102) | (590,362,226) |
| Provision for impairment | (148,783,597) | 335,012,125 |
| | (404,133,699) | (255,350,102) |

8. Receivables from non-exchange transactions

| | | |
|-----------------------------------|-----------|-----------|
| Consumer debtors - Property rates | 3,336,713 | 3,982,907 |
|-----------------------------------|-----------|-----------|

Statutory receivables included in receivables from non-exchange transactions above are as follows:

| | | |
|---|------------------|------------------|
| Property rates | 3,336,713 | 3,982,907 |
| | 3,336,713 | 3,982,907 |
| Total receivables from non-exchange transactions | 3,336,713 | 3,982,907 |

Statutory receivables general information

Reconciliation of provision for impairment for statutory receivables

| | | |
|--------------------------|---------------------|---------------------|
| Opening balance | (73,894,748) | (94,623,666) |
| Provision for impairment | (15,450,350) | 10,728,918 |
| | (89,345,098) | (73,894,748) |

Receivables from non-exchange transactions pledged as security

No Trade and other receivables from non exchange from exchanges transactions were pledged as security.

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8. Receivables from non-exchange transactions (continued)
 Fair value of receivables from non-exchange transactions
 Trade and other receivables from non exchange

| | |
|------------------|------------------|
| 3,336,713 | 3,982,907 |
| 3,336,713 | 3,982,907 |

9. Consumer debtors disclosure

Gross balances
 Property rates
 Electricity
 Water
 Sewerage
 Refuse
 Other

| | |
|--------------------|--------------------|
| 92,681,811 | 77,877,655 |
| 3,624,424 | 3,359,683 |
| 194,005,813 | 122,519,350 |
| 118,981,138 | 78,090,507 |
| 79,995,201 | 50,608,263 |
| 15,887,505 | 12,418,795 |
| 505,175,892 | 344,874,253 |

Less: Allowance for impairment

Property rates
 Electricity
 Water
 Sewerage
 Refuse
 Other

| | |
|----------------------|----------------------|
| (89,345,098) | (73,894,748) |
| (3,603,944) | (3,217,492) |
| (188,369,849) | (114,310,660) |
| (117,342,190) | (76,229,232) |
| (79,196,889) | (49,729,260) |
| (15,620,827) | (11,863,458) |
| (493,478,797) | (329,244,850) |

Net balance

Property rates
 Electricity
 Water
 Sewerage
 Refuse
 Other

| | |
|-------------------|-------------------|
| 3,336,713 | 3,982,907 |
| 20,480 | 142,191 |
| 5,635,964 | 8,208,690 |
| 1,638,948 | 1,861,275 |
| 798,312 | 879,003 |
| 266,678 | 555,337 |
| 11,697,095 | 15,629,403 |

Included in above is receivables from exchange transactions

Electricity
 Water
 Sewerage
 Refuse
 Other

| | |
|------------------|-------------------|
| 20,480 | 142,191 |
| 5,635,963 | 8,208,690 |
| 1,638,948 | 1,861,275 |
| 798,311 | 879,003 |
| 266,678 | 555,337 |
| 8,360,381 | 11,646,496 |

Included in above is receivables from non-exchange transactions (taxes and transfers)

Property rates

| | |
|-------------------|-------------------|
| 3,336,713 | 3,982,907 |
| 11,697,094 | 15,629,403 |

Net balance

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Mafube Local Municipality

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Notes to the Unaudited Annual Financial Statements

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| | 2023 | 2022 |
|---|------------------|------------------|
| 9. Consumer debtors disclosure (continued) | | |
| Property rates | | |
| Current (0-30 days) | 5,464,781 | 2,159,453 |
| 31 - 60 days | 2,270,004 | 1,983,306 |
| 61 - 90 days | 2,208,422 | 1,915,863 |
| 91 - 120 days | 2,174,720 | 1,941,293 |
| 120+ Days | 98,130,712 | 88,745,999 |
| Impairment | (89,345,098) | (73,894,748) |
| Write-Off | (17,566,829) | (18,868,259) |
| | 3,336,713 | 3,982,907 |
| Electricity | | |
| Current (0-30 days) | 46,123 | 17,396 |
| 31 - 60 days | 24,005 | 16,852 |
| 61 - 90 days | 28,348 | 15,653 |
| 91 - 120 days | 22,800 | 20,766 |
| 120+ Days | 6,184,632 | 6,048,749 |
| Impairment | (3,603,944) | (3,217,492) |
| Write-Off | (2,681,483) | (2,759,743) |
| | 20,480 | 142,191 |
| Water | | |
| Current (0-30 days) | 15,162,166 | 5,129,784 |
| 31 - 60 days | 10,751,765 | 6,302,833 |
| 61 - 90 days | 16,129,528 | 4,957,170 |
| 91 - 120 days | 9,739,703 | 5,405,626 |
| 120+ Days | 367,453,993 | 334,339,602 |
| Impairment | (188,369,849) | (114,310,660) |
| Write-Off | (225,231,342) | (233,615,664) |
| | 5,635,964 | 8,208,690 |
| Sewerage | | |
| Current (0-30 days) | 7,337,663 | 3,348,172 |
| 31 - 60 days | 3,608,158 | 3,059,239 |
| 61 - 90 days | 3,588,304 | 3,006,505 |
| 91 - 120 days | 3,564,119 | 3,016,689 |
| 120+ Days | 253,777,477 | 223,095,995 |
| Impairment | (117,342,189) | (76,229,232) |
| Write-Off | (154,894,585) | (157,436,094) |
| | 1,638,948 | 1,861,275 |
| Refuse | | |
| Current (0-30 days) | 6,017,856 | 2,371,048 |
| 31 - 60 days | 2,493,342 | 2,126,118 |
| 61 - 90 days | 2,477,133 | 2,093,470 |
| 91 - 120 days | 2,459,361 | 2,098,916 |
| 120+ Days | 162,461,916 | 139,391,661 |
| Impairment | (79,196,889) | (49,729,260) |
| Write-Off | (95,914,407) | (97,472,951) |
| | 798,312 | 879,003 |

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Mafube Local Municipality

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Notes to the Unaudited Annual Financial Statements

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9. Consumer debtors disclosure (continued)

Other

| | | |
|----------------------|----------------|----------------|
| Current (0 -30 days) | 753,341 | 239,969 |
| 31 - 60 days | 365,800 | 232,300 |
| 61 - 90 days | 361,778 | 536,101 |
| 91 - 120 days | 359,565 | 226,376 |
| 120+ Days | 19,193,919 | 16,068,634 |
| Impairment | (15,620,827) | (11,863,458) |
| Write-Off | (5,146,896) | (4,884,585) |
| | 286,678 | 555,337 |

Total

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 34,781,930 | 13,265,822 |
| 31 - 60 days | 19,513,074 | 13,720,648 |
| 61 - 90 days | 24,793,513 | 12,524,772 |
| 91 - 120 days | 18,320,287 | 12,709,686 |
| 120+ Days | 909,202,650 | 807,690,640 |
| Write-Off | (501,435,542) | (515,037,295) |
| | 505,175,892 | 344,874,253 |
| | (493,478,797) | (329,244,649) |
| | 11,697,095 | 15,629,403 |

Less: Allowance for impairment

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Notes to the Unaudited Annual Financial Statements

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10. Statutory receivables

The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

| Statutory receivable from non-exchange transaction - Property rates | |
|---|-------------------|
| Statutory receivables from exchange transactions - VAT | |
| 3,336,713 | 3,982,907 |
| 63,505,566 | 82,650,251 |
| 66,842,279 | 86,633,159 |

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.

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.

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 aerear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Interest or other charges levied on Government grants, if applicable, is based on the average investment rate for the applicable year.

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.

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10. Statutory receivables (continued)

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of (R89345097.89) (2022: R73894747.92) were impaired and provided for.

The amount of the provision was (R15450349.97) as of 30 June 2023 (2022: R-10728917.69).

Factors the entity considered in assessing statutory receivables impaired

A payment % report was drawn in order to establish the payment percentage per type of debtor. This payment percentage was used to impair these statutory receivables.

11. VAT receivable

South African Revenue Service

| | |
|-------------------|-------------------|
| 62,205,100 | 82,650,251 |
| 62,205,100 | 82,650,251 |

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 10.

VAT is (payable)/receivable on the cash basis.

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(Registration number FS205)

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Notes to the Unaudited Annual Financial Statements

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12. Heritage assets

| | 2023 | | | 2022 | | |
|-------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Mayoral Jewellery | 35,758 | - | 35,758 | 35,758 | - | 35,758 |
| Total | 35,758 | - | 35,758 | 35,758 | - | 35,758 |

Reconciliation of heritage assets 2023

| | Opening balance | Total |
|-------------------|-----------------|---------------|
| Mayoral Jewellery | 35,758 | 35,758 |
| | 35,758 | 35,758 |

Reconciliation of heritage assets 2022

| | Opening balance | Total |
|-------------------|-----------------|---------------|
| Mayoral Jewellery | 35,758 | 35,758 |
| | 35,758 | 35,758 |

Pledged as security

Heritage assets has not been pledged as security.

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13. Investment property

| | 2023 | 2022 |
|---------------------|-------------------|-------------------|
| | Fair Value | Fair Value |
| Investment property | 44,874,532 | 44,037,815 |
| Total | 44,874,532 | 44,037,815 |

Reconciliation of investment property - 2023

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|-------------------|
| Investment property | 44,037,815 | 836,718 | 44,874,532 |
| | 44,037,815 | 836,718 | 44,874,532 |

Reconciliation of investment property - 2022

| | Opening balance | Disposals | Fair value adjustments | Total |
|---------------------|--------------------|------------------|---------------------------|-------------------|
| Investment property | 42,694,543 | (193,358) | 1,536,630 | 44,037,815 |
| | 42,694,543 | (193,358) | 1,536,630 | 44,037,815 |

Pledged as security

No investment properties has been pledged as security for liabilities.

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

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13. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2023. Revaluations were performed by WRCON (Pty) Ltd. Mr PH Venter was the valuer at WRCON (Pty) Ltd to perform the valuations. Mr Venter is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 7428, a member of the SA Institute of Valuers and has the appropriate experience in performing valuation of investment properties.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

Legal ownership

.18 Legal ownership refers to the owner being the registered title deed holder of the land. Legal ownership also arises where the land is transferred from the legal owner to another entity or party, through legislation or similar means. For example, when a change in ownership is recorded by way of an endorsement on the existing title deed, rather than a formal transfer or change in ownership reflected on the title deed. References to legal owner or legal ownership in this Interpretation include both situations.

.19 In the absence of an entity demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land, and to restrict or deny the access of others to land. The legal owner is thus able to demonstrate both criteria in paragraph.

.16 The right to direct access to land, and to restrict or deny the access of others to land .20 In assessing whether the rights that have been granted to an entity in a binding arrangement result in control of the land, it is important to distinguish between substantive rights and protective rights. Only substantive rights are considered in assessing whether an entity controls land.

.21 Substantive rights grant the entity the ability to make decisions about, and benefit from, certain rights and assets, such as how to use the land to provide services, and when to dispose of the land, to whom and at what price. For the right to be substantive, the holder of the right must have the present ability to exercise that right.

The accounting for land is based on the rights that an entity is presently able to exercise in terms of its ownership of the land or other rights granted in terms of a binding arrangement.

Derecognise

The invasion of land may be an illegal act. Although the illegal occupants may have certain rights, these rights do not supersede or eliminate the entity's currently exercisable rights in terms of its legal ownership of the land. Land ownership means that the entity has substantive rights to direct or restrict access to the economic benefits or service associated with the land. The fact that the entity may not execute these rights because of political, socio-economic or other factors, is irrelevant in establishing whether control exists for accounting purposes. An entity would need to assess if its ownership rights are subsequently changed through another legal action, such as the outcome of a court process such as the outcome of court case, court order, etc. The illegal occupation of land may indicate that an impairment loss should be recognised. An entity should apply the principles in either GRAP 21 or GRAP 26 when these occupations occur (and throughout their duration).

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14. Property, plant and equipment

| | 2023 | | | 2022 | | |
|--------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Immovable assets | | | | | | |
| Buildings | 113,615,034 | (36,188,904) | 77,426,130 | 112,685,877 | (36,121,930) | 76,563,947 |
| Community | 75,564,113 | (34,717,774) | 40,846,339 | 74,590,867 | (33,603,656) | 40,987,211 |
| Infrastructure - Electricity network | 178,659,896 | (80,484,586) | 98,175,310 | 168,142,985 | (69,620,705) | 98,522,280 |
| Infrastructure - Road network | 196,207,717 | (95,568,845) | 100,638,872 | 196,207,717 | (88,557,968) | 107,649,749 |
| Infrastructure - Wastewater network | 582,467,961 | (144,418,796) | 438,049,165 | 582,467,961 | (131,474,375) | 450,993,586 |
| Infrastructure - Water network | 230,259,680 | (51,517,301) | 178,742,379 | 226,081,483 | (45,097,055) | 180,984,428 |
| Land | 142,211,749 | - | 142,211,749 | 142,211,749 | - | 142,211,749 |
| Landfill site asset | 44,992,837 | (19,412,116) | 25,580,721 | 43,890,917 | (16,405,070) | 27,485,847 |
| Work in Progress | 48,556,247 | - | 48,556,247 | 20,711,294 | - | 20,711,294 |
| Movable assets | | | | | | |
| Computer equipment | 1,774,287 | (1,359,009) | 415,278 | 1,766,136 | (1,180,044) | 586,092 |
| Motor vehicles | 27,848,330 | (17,096,565) | 10,751,765 | 27,848,330 | (15,246,431) | 12,601,899 |
| Office equipment | 1,095,597 | (770,715) | 324,882 | 1,032,077 | (680,597) | 351,480 |
| Plant and machinery | 3,125,665 | (2,217,833) | 907,832 | 3,111,030 | (1,898,149) | 1,212,881 |
| Total | 1,646,379,113 | (483,752,444) | 1,162,626,669 | 1,600,748,423 | (439,885,980) | 1,160,862,443 |

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14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Disposals | WIP additions | Transfers | Other changes, movements | Depreciation | Impairment loss | Impairment reversal | Total |
|--------------------------------------|----------------------|------------------|----------------|-------------------|------------------|--------------------------|---------------------|--------------------|---------------------|----------------------|
| Immovable assets | | | | | | | | | | |
| Buildings | 76,563,947 | 5,850 | - | - | 923,308 | - | (2,391,851) | (88,159) | 2,413,035 | 77,426,130 |
| Community | 40,987,211 | - | (3,147) | - | 1,088,978 | - | (2,033,181) | (144,863) | 951,341 | 40,846,339 |
| Infrastructure - Electricity Network | 98,522,280 | - | - | - | 10,516,911 | - | (5,760,596) | (5,143,897) | 40,612 | 98,175,310 |
| Infrastructure - Road network | 107,649,749 | - | - | - | - | - | (6,965,282) | (48,492) | 2,897 | 100,638,872 |
| Infrastructure - Wastewater network | 450,993,586 | - | - | - | - | - | (12,176,407) | (768,014) | - | 438,049,165 |
| Infrastructure - Water network | 180,984,428 | 1,084,483 | - | - | 3,093,715 | - | (5,254,319) | (1,166,027) | 99 | 178,742,379 |
| Land | 142,211,749 | - | - | - | - | - | - | - | - | 142,211,749 |
| Landfill site asset | 27,485,847 | - | - | - | - | 1,101,920 | (3,007,046) | - | - | 25,580,721 |
| Work-in-Progress | 20,711,294 | - | - | 39,539,595 | (11,694,642) | - | - | - | - | 48,556,247 |
| Movable assets | | | | | | | | | | |
| IT equipment | 586,092 | 8,150 | - | - | - | - | (162,971) | (25,564) | 9,571 | 415,278 |
| Motor vehicles | 12,601,899 | - | - | - | - | - | (1,603,459) | (477,342) | 230,667 | 10,751,765 |
| Office equipment | 351,480 | 63,520 | - | - | - | - | (72,962) | (17,156) | - | 324,882 |
| Plant and machinery | 1,212,881 | 14,635 | - | - | - | - | (193,684) | (126,000) | - | 907,832 |
| | 1,160,862,443 | 1,176,638 | (3,147) | 39,539,595 | 3,928,270 | 1,101,920 | (39,621,758) | (8,005,514) | 3,648,222 | 1,162,626,669 |

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14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | WIP additions | Transfers | Other changes, movements | Depreciation | Impairment loss | Impairment reversal | Total |
|--------------------------------------|----------------------|------------------|-----------------|-------------------|--------------------|--------------------------|---------------------|------------------|---------------------|----------------------|
| Immovable assets | | | | | | | | | | |
| Buildings | 78,781,850 | 149,240 | - | 9,834 | - | - | (2,376,977) | - | - | 76,563,947 |
| Community | 43,008,857 | - | - | - | - | - | (2,021,646) | - | - | 40,987,211 |
| Infrastructure - Electricity network | 104,167,282 | - | - | - | - | - | (5,645,002) | - | - | 98,522,280 |
| Infrastructure - Road network | 110,854,205 | - | (62,516) | - | 3,805,305 | - | (6,937,711) | (10,383) | 849 | 107,649,749 |
| Infrastructure - Wastewater network | 463,202,526 | 272,999 | - | - | - | - | (12,177,176) | (308,424) | 3,661 | 450,993,586 |
| Infrastructure - Water network | 157,635,684 | 752,086 | - | - | 27,658,895 | - | (4,723,403) | (387,157) | 48,323 | 180,984,428 |
| Land | 142,211,749 | - | - | - | - | - | - | - | - | 142,211,749 |
| Landfill site asset | 29,931,234 | - | - | - | - | 525,815 | (2,971,202) | - | - | 27,485,847 |
| Work-in-Progress | 26,004,956 | - | - | 28,816,948 | (34,110,610) | - | - | - | - | 20,711,294 |
| Movable assets | | | | | | | | | | |
| IT equipment | 674,013 | 68,396 | - | - | - | - | (156,317) | - | - | 586,092 |
| Motor vehicles | 11,281,037 | 2,883,699 | - | - | - | - | (1,562,837) | - | - | 12,601,899 |
| Office equipment | 398,901 | 21,299 | - | - | - | - | (68,720) | - | - | 351,480 |
| Plant and machinery | 1,205,728 | 192,876 | - | - | - | - | (185,723) | - | - | 1,212,881 |
| | 1,169,358,022 | 4,340,595 | (62,516) | 28,826,782 | (2,646,410) | 525,815 | (38,826,714) | (705,964) | 52,833 | 1,160,862,443 |

Pledged as security

There are no property, plant and equipment pledged as security for overdraft facilities.

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Matufe Local Municipality

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14. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed
 Cumulative expenditure recognised in the carrying value of property, plant and equipment

| | | | | |
|--------------------------------------|-------------------|---|---|-------------------|
| Infrastructure - Road network | 1,320,420 | - | - | 1,320,420 |
| Infrastructure - Electricity network | 5,187,894 | - | - | 5,187,894 |
| Infrastructure - Wastewater network | 1,036,279 | - | - | 1,036,279 |
| Infrastructure - Water network | 41,011,654 | - | - | 41,011,654 |
| | 48,556,247 | | | 20,585,184 |

Reconciliation of Work-in-Progress 2023

| | Opening balance | Additions / capital expenditure | Transferred to repairs and maintenance | Transferred to completed items | Total |
|--|-------------------|---------------------------------|--|--------------------------------|-------------------|
| Infrastructure - Road network | 126,110 | 1,320,420 | - | - | 1,320,420 |
| Community Infrastructure - Electricity network | 7,865,976 | 1,051,519 | (88,651) | (1,088,978) | 5,187,894 |
| Infrastructure - Water network | 11,682,930 | 6,668,485 | (537,685) | (8,808,881) | 41,011,654 |
| Infrastructure - Wastewater network | 1,036,279 | 30,478,216 | (1,149,491) | - | 1,036,279 |
| | 20,711,294 | 39,518,639 | (1,775,628) | (9,897,659) | 48,556,247 |

Reconciliation of Work-in-Progress 2022

| | Opening balance | Additions / capital expenditure | Transferred to repairs and maintenance | Transferred to completed items | Total |
|--|-------------------|---------------------------------|--|--------------------------------|-------------------|
| Infrastructure - Road network | 2,695,879 | 1,109,427 | - | (3,805,306) | - |
| Community Infrastructure - Electricity network | 1,275,900 | 126,110 | (37,800) | - | 7,865,976 |
| Infrastructure - Water network | 20,986,898 | 6,627,875 | (2,618,764) | (27,648,741) | 11,682,930 |
| Infrastructure - Wastewater network | 1,036,279 | 20,953,536 | - | - | 1,036,279 |
| | 26,004,956 | 28,816,948 | (2,656,564) | (31,454,047) | 20,711,294 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses

3,430,364

5,650,654

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.

Matfube Local Municipality

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|------------------------------|-----------|-----------|
| 15. Consumer deposits | | |
| Water | 1,781,886 | 1,696,794 |

No guarantees held in lieu of electricity and water deposits.

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

No interest accrues on consumer deposits.

16. Employee benefit obligations

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

| | | |
|--------------------------------------|---------------------|---------------------|
| Non-current employee benefits | (5,376,187) | (5,327,362) |
| Post-Retirement Medical Aid benefits | (5,709,209) | (6,751,265) |
| Long-service awards benefits | (11,085,396) | (12,078,627) |
| Current employee benefits | | |
| Post-Retirement Medical Aid benefits | (610,991) | (626,810) |
| Long-service awards benefits | (1,106,323) | (1,131,641) |
| | (1,717,314) | (1,758,451) |
| Total employee benefits | | |
| Post-Retirement Medical Aid benefits | (5,987,178) | (5,954,172) |
| Long-service awards benefits | (6,815,532) | (7,882,906) |
| | (12,802,710) | (13,837,078) |
| Non-current liabilities | (11,085,396) | (12,078,627) |
| Current liabilities | (1,717,314) | (1,758,451) |
| | (12,802,710) | (13,837,078) |

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16. Employee benefit obligations (continued)
Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

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 D T Murenwa 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.

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

| | | |
|------------------------------------|------------|------------|
| In-service members (Employees) | 14 | 12 |
| Continuation members (Retirees) | 116 | 107 |
| In service employees (Non-members) | | |
| Total members | 130 | 119 |

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

- Bonitas
- LA Health
- Key Health
- Samwummed

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

| | | |
|------------------------------------|------------------|------------------|
| In-service members (Employees) | - | - |
| In-service non-members (Employees) | 5,987,179 | 5,954,172 |
| Continuation members (Retirees) | 5,987,179 | 5,954,172 |
| Total liability | | |
| Non-current | 5,376,188 | 5,327,362 |
| Current | 610,991 | 626,810 |
| | 5,987,179 | 5,954,172 |

The principal assumptions used for the purposes of the actuarial valuations were as follow:

| | | |
|---------------------------------|---------|---------|
| Rates of interest | | |
| Discount rate | 11.23 % | 11.73 % |
| Health care cost inflation rate | 7.19 % | 8.46 % |
| Net effective discount rate | 3.77 % | 3.01 % |

Normal retirement age

67

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16. Employee benefit obligations (continued)

The average retirement age for all active employees was assumed to be 62 years.

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations

5,987,179

5,954,172

Net expense recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Current service cost
 Interest cost
 Actuarial (gain) recognised in the year

665,241
 (57,217)

630,126
 (1,993,937)

608,024

(1,363,811)

Movements in the present value of the defined benefit obligation

Opening balance
 Current service cost
 Interest cost
 Actual employer benefit payments
 Actuarial (gain) recognised in the year
Present value of fund obligation at the end of the year

5,954,172
 665,241
 (575,018)
 (57,217)

7,998,709
 630,126
 (880,726)
 (1,993,937)

5,987,178

5,954,172

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

Present value of unfunded defined benefit

2023
 2022
 2021
 2020
 2019

5,987,178
 5,954,172
 7,998,709
 7,740,719

Sensitivity analysis on the Accrued Liability (R Millions)

| Assumption | Change | Total |
|-----------------------|--------|-----------|
| Health care inflation | 1 | 6,457,679 |
| Health care inflation | (1) | 5,565,073 |
| Discount rate | 1 | 5,609,263 |
| Discount rate | (1) | 6,413,381 |

Sensitivity analysis on Current-service and Interest Costs

| Assumption | Change | Total | % change |
|---------------------------|--------|---------|----------|
| Health care inflation | 1 | 690,966 | 8.26 % |
| Health care inflation | (1) | 591,013 | (7.40)% |
| Discount rate | 1 | 648,854 | 1.66 % |
| Discount rate | (1) | 625,071 | (2.07)% |
| Post-retirement mortality | 1 | 664,026 | 4.04 % |
| Post-retirement mortality | (1) | 638,271 | - % |

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16. Employee benefit obligations (continued)

Discount rate: GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation. The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2022 the duration of liabilities was 7.00 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 11.23% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.91% per annum, implying an underlying expectation of inflation of 6.04% per annum $(1 + 11.23\% - 0.5\%) / (1 + 4.77\%) - 1$. A healthcare cost inflation rate of 1.9% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary. However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.77% per annum $(1 + 11.23\%) / (1 + 7.19\%) - 1$. This year's valuation basis is consistent with the previous year's basis from a discount rate perspective.

Mortality Rates

PA (90) - 1 with a 1% mortality improvement per annum from the year 2010.

Continuation of Membership

With the appointment of 1 Pangaea Expertise and Solutions Pty (Ltd) for the year ending 30 June 2023.

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

| | 2023/06/30 | 2022/06/30 | 2021/06/30 | 2020/06/30 |
|----------------------------|------------------|--------------------|------------------|------------------|
| Liability History | | | | |
| Accrued Liability | (5,987,178) | 5,954,172 | (7,998,709) | (7,740,719) |
| Surplus / (Deficit) | 5,987,178 | (5,954,172) | 7,998,709 | 7,740,719 |

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

| | 2023/06/30 | 2022/06/30 | 2021/06/30 | 2020/06/30 |
|------------------------------|-----------------|--------------------|----------------|----------------|
| Experience adjustment | | | | |
| Liabilities: (Gain) / Loss | (57,217) | (1,993,937) | 348,028 | 688,252 |
| | (57,217) | (1,993,937) | 348,028 | 688,252 |

Long-service awards benefits

The municipally operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

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 1 Pangaea Expertise and Solutions Pty (Ltd). 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. Additional text

At year end 327 (2022: 333) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

| | | |
|-----------------------------|---------|---------|
| Discount rate | 10.60 % | 10.22 % |
| General Salary Inflation | 6.32 % | 7.71 % |
| Net effective discount rate | 4.03 % | 2.33 % |

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16. Employee benefit obligations (continued)

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

6,815,532 7,882,906

Present value of unfunded obligations

Amounts recognised in the statement of financial performance

601,496 637,170

Current service cost

747,806 639,572

Interest cost

(1,868,103) 321,541

Actuarial losses / (gains) recognised

(518,801) **1,598,283**

Total expense included in employee related costs

Opening balance
Current service cost
Interest cost
Actual employer benefit payments
Actuarial loss/ (gain) recognised in the year

7,882,906 7,172,479
601,496 637,170
747,806 639,572
(548,573) (887,856)
(1,868,103) 321,541
6,815,532 7,882,906

Liability History
Accrued Liability
Surplus / (Deficit)

2023/06/30 2022/06/30 2021/06/30 2020/06/30
(6,815,532) (7,882,906) (7,172,479) (6,033,539)
6,815,532 7,882,906 7,172,479 6,033,539

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment
Liabilities: (Gain) / Loss

2023/06/30 2022/06/30 2021/06/30 2020/06/30
1,868,103 (321,541) (1,127,776) 50,721
(1,868,103) 321,541 1,127,776 (50,721)

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| | 2023 | 2022 |
|--|----------------------|--------------------|
| 17. Payables from exchange transactions | | |
| AGSA | 11 878 481 | 10 828 583 |
| Accrued bonus | 2 697 493 | 2 600 062 |
| Accrued leave pay | 6 723 094 | 4 698 543 |
| Bulk electricity | 107 460 213 | 108 642 781 |
| Bulk water | 514 395 040 | 457 588 974 |
| Insurance contributions not yet paid over | 1 994 517 | 2 287 216 |
| Medical aid contributions not yet paid over | 3 000 346 | 2 755 425 |
| PAYE contributions not yet paid over | 1 040 082 | 28 481 121 |
| Payments received in advanced - contract in process | 4 365 696 | 3 505 267 |
| Pensions contributions not yet paid over | 213 705 897 | 175 471 587 |
| Retentions | 7 358 482 | 5 365 291 |
| SDL contributions not yet paid over | 263 876 | 2 262 871 |
| Salaries accrued for/only paid after year end) | 10 871 841 | 11 347 544 |
| Trade payables | 188 440 791 | 152 694 455 |
| UfF contributions not yet paid over | 305 682 | 2 865 034 |
| Unallocated receipts and deposits | 42 879 | - |
| Unions & maintenance contributions not yet paid over | 3 443 860 | 2 665 745 |
| | 1 077 947 870 | 974 060 399 |

Fair value of trade and other payables

Trade payables

| | | |
|--|---------------|-------------|
| | 1,077,947,870 | 974,060,399 |
|--|---------------|-------------|

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Refer to note 44 for prior period corrections made to Payables from exchange transactions.

AUDITOR GENERAL

Mafube Local Municipality

(Registration number FS205)

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18. Provisions

Reconciliation of provisions - 2023

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Change in provision | Finance cost | Total |
|---------------------------------|-------------------|-----------|--------------------------|--------------------------|---------------------|------------------|-------------------|
| Rehabilitation of landfill site | 54,772,286 | - | - | - | 1,101,920 | 3,922,676 | 59,796,882 |
| | 54,772,286 | - | - | - | 1,101,920 | 3,922,676 | 59,796,882 |

Reconciliation of provisions - 2022

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Change in provision | Finance cost | Total |
|---------------------------------|-------------------|-----------|--------------------------|--------------------------|---------------------|------------------|-------------------|
| Rehabilitation of landfill site | 52,088,444 | - | - | - | 525,814 | 2,158,028 | 54,772,286 |
| | 52,088,444 | - | - | - | 525,814 | 2,158,028 | 54,772,286 |

| | | |
|-------------------------|-------------------|-------------------|
| Non-current liabilities | 55,874,206 | 52,614,258 |
| Current liabilities | 3,922,676 | 2,158,028 |
| | 59,796,882 | 54,772,286 |

Environmental rehabilitation provision

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites.

Mafube Local Municipality consists of four (4) towns (Frankfort, Tweeling, Villiers and Cornelia). Frankfort, Tweeling, Villiers and Cornelia are located in an area of agricultural significance and Frankfort is the central business district of Mafube Local Municipality. Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

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18. Provisions (continued)

Key cost parameters:

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2023 was 12.31% p.a.. The consumer price inflation of 5.40% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

Consumer price inflation (C) 5.40% (2022: 7.40%)
 Discount rate (D) 12.31% (2022: 11.64%)
 Net discount rate 6.56% (2022: 3.94%)

The movement on each of the landfill site's provisions is:

| | Opening balance | Change provision | Utilised during the year | Finance cost Total |
|-----------|-----------------|------------------|--------------------------|--------------------|
| Frankfort | 13,540,528 | 169,299 | - | 14,672,331 |
| Tweeling | 16,172,684 | 77,096 | - | 1,140,824 |
| Villiers | 17,242,216 | 416,685 | - | 1,239,752 |
| Cornelia | 7,816,858 | 438,839 | - | 579,595 |
| | 54,772,286 | 1,101,920 | - | 3,922,676 |
| | | | | 59,796,982 |

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|---|------------|------------|
| Unspent conditional grants and receipts | 7,035,627 | 11,100,479 |
| Municipal Infrastructure Grant | 3,695,181 | 1,793,528 |
| Integrated National Electrification Programme | 9,780,484 | 6,584,644 |
| Water Services Infrastructure Grant | 20,511,292 | 19,458,649 |

Movement during the year

| | | |
|--------------------------------------|--------------|--------------|
| Balance at the beginning of the year | 19,458,650 | 10,919,157 |
| Additions during the year | 57,260,000 | 56,395,000 |
| Income recognition during the year | (56,207,358) | (47,955,507) |
| | 20,511,292 | 19,458,650 |

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See reconciliation of grants from National/Provincial Government note 27

These amounts are invested in a ring-fenced investment unit utilised.

Matube Local Municipality

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|--|-------------------|-------------------|
| 20. Interest Income (Exchange transactions) | | |
| Interest income | 558,374 | 540,448 |
| Bank accounts | 54,482,167 | 34,805,682 |
| Receivables from exchange transactions | <u>55,040,541</u> | <u>35,346,130</u> |

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 11 402 953 (2022: R 9 208 767).

| | | |
|---|-------------------|-------------------|
| 21. Rental of facilities and equipment | | |
| Premises | 615,152 | 1,964,939 |
| Rental from fixed property | <u>615,152</u> | <u>1,964,939</u> |
| 22. Service charges | | |
| Sale of water | 46,691,214 | 31,934,665 |
| Sewerage and sanitation charges | 16,054,846 | 22,276,914 |
| Refuse removal | 17,219,463 | 16,742,436 |
| | <u>79,965,543</u> | <u>70,954,015</u> |

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 the approved tariffs.

| | | |
|--------------------------------|------------------|------------------|
| 23. Operational revenue | | |
| Administrative Fees | 9,730 | 25,806 |
| Building Fees | 65,017 | 83,855 |
| Camping Fees | 2,437 | 2,609 |
| Cemetery Fees | 504,219 | 485,871 |
| Clearance certificate | 67,535 | 71,183 |
| Connection Fees | 560,905 | 1,408,186 |
| Discount received | - | 149 |
| Meter Reading Fees | 148 | 28 |
| Photocopiers | - | 1,013 |
| Recoveries | 4,172,558 | 1,653,070 |
| Royalties | 2,252,464 | 2,550,900 |
| Sale of Sand | 37,182 | 46,647 |
| Tender deposits | 72,979 | 217,744 |
| Valuation services | 2,114,431 | 210 |
| | <u>9,859,605</u> | <u>6,517,271</u> |

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MaTube Local Municipality

(Demarcation code: FS205)
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| 24. Property rates | | |
| Rates received | | |
| Residential | 3,028,544 | 8,939,619 |
| Commercial | 17,395,403 | 10,470,825 |
| Agricultural | 2,833,746 | 2,909,051 |
| | 23,247,693 | 22,319,495 |

| Valuations | | |
|--------------------------|----------------------|----------------------|
| Residential | 1,540,367,040 | 1,571,661,000 |
| Commercial properties | 389,676,000 | 406,077,500 |
| Municipal | 46,895,600 | 54,046,900 |
| Small holdings and farms | 3,657,080,000 | 3,630,537,000 |
| Government buildings | 70,036,200 | 71,821,000 |
| Public buildings | 100,842,000 | 113,865,000 |
| | 5,804,896,840 | 5,848,008,400 |

Assessment Rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R120 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government. All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The maximum amount is determined as R20 000. The impermissible rates of R15 000 contemplated in terms of Section 17(1)(h) of the Act and the R5 000 is a council reduction. The remaining R100 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's Indigent Policy.

Other rebates

Taking into account the effects of rates on PBO's performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No. 58 of 1962) for tax reduction because of those activities, Public Benefit Organisations may apply for the exemption of property rates. Any other exclusions or exemptions have been granted in accordance with the Local Government Municipal Property Rates Act, No. 6, 2004.

25. Interest income (Non-exchange transactions)

| | | |
|--|------------------|------------------|
| Receivables from non-exchange transactions | 6,900,483 | 4,826,178 |
| | 6,900,483 | 4,826,178 |

26. Fines, Penalties and Forfeits

| | | |
|-------------------------|----------------|---------------|
| Municipal Traffic Fines | 142,500 | 61,300 |
| | 142,500 | 61,300 |

MP

Matube Local Municipality

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27. Government grants and subsidies

Operating grants

Equitable share
Expanded Public Works Programme Integrated Grant
Local Government Financial Management Grant

| | |
|--------------------|--------------------|
| 118,903,000 | 107,146,141 |
| - | 1,075,000 |
| 3,100,000 | 3,100,016 |
| 122,003,000 | 111,321,157 |

Capital grants

Integrated National Electrification Programme
Municipal Infrastructure Grant
Water Services Infrastructure Grant

| | |
|--------------------|--------------------|
| 7,223,291 | 6,911,474 |
| 21,148,271 | 12,414,521 |
| 12,735,794 | 13,435,356 |
| 41,107,356 | 32,761,351 |
| 153,110,356 | 144,082,508 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received
Unconditional grants received

| | |
|--------------------|--------------------|
| 44,207,356 | 36,936,367 |
| 118,903,000 | 107,146,141 |
| 163,110,356 | 144,082,508 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and the day to day running of the municipality.

Municipal Infrastructure Grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Other

| | |
|------------------|-------------------|
| 11,100,479 | 23,515,000 |
| 23,929,000 | (21,148,271) |
| (6,845,580) | - |
| 7,035,627 | 11,100,479 |

Conditions still to be met - remain liabilities see note 19

Local Government Financial Management Grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

| | |
|-------------|-------------|
| 3,100,000 | 3,100,000 |
| (3,100,000) | (3,100,015) |
| - | - |

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Maifube Local Municipality

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|---|--------------------|--------------------|
| 27. Government grants and subsidies (continued) | | |
| Integrated National Electrification Programme | | |
| Balance unspent at beginning of year | 1,793,526 | 5,420,079 |
| Current-year receipts | 10,231,000 | 8,705,000 |
| Conditions met - transferred to revenue | (7,223,291) | (6,911,474) |
| Other | (1,106,054) | (5,420,079) |
| | 3,695,181 | 1,793,526 |
| Conditions still to be met - remain liabilities see note 19 | | |
| Water Services Infrastructure Grant | | |
| Balance unspent at beginning of year | 6,564,644 | 5,499,062 |
| Current-year receipts | 20,000,000 | 20,000,000 |
| Conditions met - transferred to revenue | (12,735,794) | (13,455,356) |
| Other | (4,048,366) | (5,499,062) |
| | 9,780,484 | 6,564,644 |
| Conditions still to be met - remain liabilities see note 19 | | |
| Expanded Public Works Programme Integrated Grant | | |
| Current-year receipts | - | 1,075,000 |
| Conditions met - transferred to revenue | - | (1,075,000) |
| | - | - |
| 28. Public contributions and donations | | |
| Property, plant and equipment | 5,705,274 | 617,441 |
| Other Public contribution | 7,080,252 | - |
| | 12,785,526 | 617,441 |
| 29. Bulk purchases | | |
| Water | 27,966,963 | 37,301,646 |
| | 27,966,963 | 37,301,646 |
| 30. Debt impairment | | |
| Contributions to debt impairment provision | 164,233,947 | (322,055,026) |
| Bad debts written off | (8,800,409) | 452,155,860 |
| | 155,433,538 | 130,100,834 |
| 31. Depreciation and amortisation | | |
| Property, plant and equipment | 39,621,758 | 38,826,714 |

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32. Employee related cost

Municipal staff

Annual Remuneration
 Car Allowance
 Contributions to UIF, Medical and Pension Funds

| | |
|--------------------|--------------------|
| 103,945,192 | 110,784,982 |
| 2,769,619 | 4,336,630 |
| 336,532 | 1,125,740 |
| 19,272 | 4,250 |
| 3,125,423 | 5,466,620 |

Municipal staff costs

Acting allowances
 Basic salaries and wages
 Bonus
 Car allowance
 Cellphone Allowance
 Defined contribution Plans
 Employee benefit obligation
 Housing allowances
 Leave pay provision charge
 Medical aid – company contributions
 Other payroll levies
 Overtime payments
 Skills development Levy
 Standby Allowance
 UIF contributions

| | |
|--------------------|--------------------|
| 1,703,696 | 1,991,122 |
| 64,434,931 | 64,425,149 |
| 5,548,954 | 5,237,816 |
| 7,601,524 | 7,840,088 |
| 96,400 | 126,303 |
| 11,114,983 | 11,969,150 |
| (522,095) | (931,412) |
| 612,910 | 625,313 |
| 2,574,033 | (1,264,605) |
| 3,908,933 | 3,753,365 |
| 74,453 | 77,225 |
| 3,966,581 | 4,761,188 |
| 831,463 | 840,999 |
| 1,490,482 | 1,271,481 |
| 648,964 | 659,578 |
| 104,090,212 | 101,382,760 |

Senior management costs breakdown

Remuneration of Municipal Manager - LJ Ralebanya

Basic Salary
 Contribution to pension fund, UIF, SDL
 Allowances

| | |
|----------------|------------------|
| 451,183 | 830,413 |
| 6,598 | 14,047 |
| 148,000 | 445,785 |
| 605,780 | 1,290,245 |

The contract of the Municipal Manager Mr LJ Ralebanya ended in October 2022.

Provincial CoGTA seconded Advocate Lephane from November 2022 until end of June 2023.

Remuneration of Chief Financial Officer - MA Makoa

Annual Remuneration
 Contributions to UIF, Medical and Pension Funds
 Allowances

| | |
|----------|----------------|
| - | 369,265 |
| - | 7,159 |
| - | 250,886 |
| - | 627,310 |

Remuneration of Acting Chief Financial Officer - GA Mgcina

Acting Allowance

| | |
|----------------|----------------|
| 407,958 | 438,945 |
| 407,958 | 438,945 |

Mr GA Mgcina was appointed as Acting CFO from July 2022 until June 2023.

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32. Employee related cost (continued)

Remuneration of Acting Director Planning & Infrastructure - N Radebe

| | | |
|------------------|----------------|---|
| Acting Allowance | 449,029 | - |
| | 449,029 | - |

Ms N Radebe was appointed as Acting Director Planning & Infrastructure from July 2022 to end of June 2023

Director Planning & Infrastructure - DL Ramabisa

| | | |
|---|----------------|------------------|
| Annual Remuneration | 249,651 | 676,289 |
| Contributions to UIF, Medical and Pension Funds | 2,957 | 12,292 |
| Allowances | 32,235 | 386,826 |
| | 284,844 | 1,075,407 |

Mr DL Ramabisa resigned end of July 2022

Remuneration of Director Community Service - ZE Mofokeng

| | | |
|---|----------------|------------------|
| Annual Remuneration | 563,425 | 608,172 |
| Contributions to UIF, Medical and Pension Funds | 9,718 | 12,225 |
| Allowances | 302,105 | 454,942 |
| | 875,249 | 1,075,339 |

The contract of Ms ZE Mofokeng ended in February 2023.

Remuneration of Director Corporate Services - PP Moloi

| | | |
|---|---|----------------|
| Annual Remuneration | - | 303,535 |
| Contributions to UIF, Medical and Pension Funds | - | 5,165 |
| Allowances | - | 139,430 |
| | - | 448,130 |

Remuneration of Acting Director Corporate Service - I Ngozo

| | | |
|------------------|----------------|----------------|
| Acting Allowance | 335,132 | 511,224 |
| | 335,132 | 511,224 |

Mr I Ngozo was appointed as Acting Director Corporate Services from July 2022 to mid March 2023.

Remuneration of Acting Director Corporate Service - DC Madibo

| | | |
|------------|----------------|---|
| Allowances | 167,431 | - |
| | 167,431 | - |

Ms DC Madibo was appointed as Acting Director Corporate Services from mid March 2023 to mid June 2023.

33. Finance costs

| | | |
|--|-------------------|-------------------|
| Interest Cost - Landfill site provision | 3,922,676 | 2,158,028 |
| Employee benefit obligations interest paid | 1,413,047 | 1,269,698 |
| Trade and other payables | 62,089,368 | 54,906,063 |
| | 67,425,091 | 58,333,809 |

MF

Manure Local Municipality

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|---|-------------------|-------------------|
| 34. General expenses | | |
| Advertising | 641,561 | 405,554 |
| Auditors remuneration | 6,490,642 | 6,725,518 |
| Bank charges | 458,356 | 287,298 |
| Burial expenses | 12,143 | 53,594 |
| Bursaries | 110,766 | 167,261 |
| Community development and training | 68,234 | 183,359 |
| Consulting and professional fees | 14,676,788 | 19,906,833 |
| Consumables | 8,083,778 | 8,074,960 |
| Fuel and oil | 3,226,954 | 2,473,808 |
| Hire | 9,775,478 | 13,281,521 |
| IT expenses | 3,421,986 | 2,598,770 |
| Insurance | 2,661,867 | 2,393,260 |
| Motor vehicle expenses | 229,462 | 37,329 |
| Municipal Services - Electricity & Water | 12,954,620 | 14,618,840 |
| Printing and stationery | 912,101 | 2,197,086 |
| Repairs and maintenance | 4,594,224 | 6,086,031 |
| Security (Guarding of municipal property) | 112,500 | - |
| Staff welfare | 3,434 | 76,373 |
| Subscriptions and membership fees | 14,938 | 38,974 |
| Telephone and fax | 2,455,963 | 3,164,662 |
| Travel - local | 585,320 | 661,557 |
| Uniforms | 204,714 | 1,394,148 |
| | 71,695,829 | 84,816,736 |

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35. Remuneration of councillors

| | | |
|-----------------------------|------------------|------------------|
| Mayor | 914,702 | 856,007 |
| Mayororal Committee Members | 770,025 | 641,992 |
| Speaker | 732,534 | 688,698 |
| Councillors: | 3,932,589 | 4,060,574 |
| | 6,349,850 | 6,247,271 |

Mayor

| | | |
|---|----------------|----------------|
| Basic salary | 717,916 | 767,729 |
| Travel allowance | 184,726 | 76,521 |
| Cellphone allowance | 3,600 | 3,600 |
| Contributions to Medical, Pension Funds, Skills and UIF | 8,460 | 8,157 |
| | 914,702 | 856,007 |

Mayororal Committee Members

| | | |
|---|----------------|----------------|
| Basic salary | 570,672 | 465,791 |
| Travel allowance | 185,049 | 149,641 |
| Cellphone allowance | 7,200 | 20,667 |
| Contributions to Medical, Pension Funds, Skills and UIF | 7,104 | 3,893 |
| | 770,025 | 641,992 |

Speaker

| | | |
|---|----------------|----------------|
| Basic salary | 527,991 | 497,458 |
| Travel allowance | 176,906 | 165,476 |
| Cellphone allowance | 3,600 | 3,600 |
| Contributions to Medical, Pension Funds, Skills and UIF | 24,036 | 22,164 |
| | 732,534 | 688,698 |

Councillors

| | | |
|---|------------------|------------------|
| Basic salary | 3,347,942 | 3,457,827 |
| Travel allowance | 405,780 | 492,057 |
| Cellphone allowance | 51,440 | 49,800 |
| Contributions to Medical, Pension Funds, Skills and UIF | 127,427 | 60,890 |
| | 3,932,589 | 4,060,574 |

In-kind benefits

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

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.

Refer to note 43 for details breakdown of remuneration of councillors under the related parties note.

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|---|-------------|-----------|
| 36. Impairment loss | | |
| Impairments | | |
| Property, plant and equipment | (8,005,515) | (705,964) |
| 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. | | |

Infrastructure assets - GRAP 26 (23) states: In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

- (g) - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Due to significant budget constraints, the municipality could not maintain the maintenance plan as required for the infrastructure assets. This lead to the value in use being lower than the economic value of the assets. Assets were therefore impaired to a condition grade lower based on physical assessment of these assets.

Land - IGRAP 18 indicates that land is recognised based on control. Control of land is evidenced by the following criteria:

- (a) legal ownership; and/or
- (b) the right to direct access to land, and to restrict or deny the access of others to land. During the prior year it was identified that control over land has been lost. The most significant part of this was rural development for housing. As the land was not yet transferred to the legal new owners name, the land was impaired.

Method
 Carrying value – Value in Use = Impairment Loss

Significant assumptions applied

Value in use is directly related to a calculated current replacement cost considering the national CPI history factor.

| | | |
|---|--------------------|------------------|
| | (8,005,515) | (705,964) |
| Reversal of impairments | | |
| Property, plant and equipment | 3,648,221 | 52,833 |
| Repairs and additions to the network assets resulted in previous conditions of assets to improve, thus a reversal of impairments. | | |
| Total impairment losses (recognised) reversed | (4,357,294) | (653,131) |

The main classes of assets affected by impairment losses are:

- Buildings
- Community
- Infrastructure - Electrical network
- Infrastructure - Roads network
- Infrastructure - Solid waste network
- Infrastructure - Road network
- Infrastructure - Water network
- Infrastructure - Electricity network
- Computer equipment
- Furniture and fixtures
- Plant and machinery

The main classes of assets affected by reversals of impairment losses are:

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36. Impairment loss (continued)

Motor vehicles

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Physical verification of movable and immovable assets was performed during the financial year, each assets condition was assessed and was graded accordingly. Should the asset be found to be in a very poor condition and not able to fulfill its service potential the asset was then impaired accordingly. Details of the verification condition assessments are recorded in the fixed asset register.

37. Fair value adjustments

Investment property

| | |
|----------------|------------------|
| 836,718 | 1,536,630 |
| 836,718 | 1,536,630 |

38. Auditors' remuneration

Fees

| | |
|------------------|------------------|
| 6,490,642 | 6,725,518 |
| 6,490,642 | 6,725,518 |

39. Cash generated from (used in) operations

| | | |
|--|------------------|--------------------|
| Surplus/(deficit) | (124,757,474) | (173,175,431) |
| Adjustments for: | | |
| Depreciation and amortisation | 39,621,758 | 38,826,714 |
| Gain on sale of assets and liabilities | 3,147 | 255,873 |
| Fair value adjustments | (836,718) | (1,536,630) |
| Impairment deficit | 4,357,294 | 653,131 |
| Debt impairment | 155,433,538 | 130,100,834 |
| Movements in retirement benefit assets and liabilities | (1,034,368) | (1,334,111) |
| Movements in provisions | 5,024,596 | 2,083,842 |
| Inventory losses or write-downs | 69,794 | 311,659 |
| Landfill site movement | (1,101,920) | (525,814) |
| Work in progress movement | (43,467,865) | (26,180,372) |
| Changes in working capital: | | |
| Inventories | 138,307 | (627,273) |
| Receivables from exchange transactions | 3,125,744 | 58,030,042 |
| Consumer debts | (155,433,538) | (130,100,834) |
| Other receivables from non-exchange transactions | 646,194 | (5,139,718) |
| Payables from exchange transactions | 103,817,671 | 129,042,203 |
| VAT | 20,445,151 | (31,867,654) |
| Unspent conditional grants and receipts | 1,052,643 | 8,539,492 |
| Consumer deposits | 85,092 | 48,332 |
| | 7,189,046 | (1,995,715) |

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|--|--------------------|--------------------|
| 40. Operating surplus | | |
| Operating surplus for the year is stated after accounting for the following: | | |
| Loss on sale of property, plant and equipment | (3,147) | (62,515) |
| Loss on sale of investment property | - | (193,358) |
| Impairment on property, plant and equipment | 8,005,515 | 705,964 |
| Reversal of impairment on property, plant and equipment | 3,646,221 | 52,833 |
| Depreciation on property, plant and equipment | 39,621,758 | 38,826,714 |
| Employee costs | 113,565,485 | 113,096,651 |
| | 164,837,832 | 152,426,289 |

41. Commitments

Authorised capital expenditure

- **Already contracted for but not provided for**
- Property, plant and equipment

| | | |
|---|-------------------|-------------------|
| | 27,778,132 | 52,828,218 |
| | 27,778,132 | 52,828,218 |
| Total capital commitments | 27,778,132 | 52,828,218 |
| Already contracted for but not provided for | 27,778,132 | 52,828,218 |

Total commitments

| | | |
|--------------------------------|-------------------|-------------------|
| Total commitments | 27,778,132 | 52,828,218 |
| Authorised capital expenditure | 27,778,132 | 52,828,218 |

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. This commitments are also presented inclusive of VAT.

Refer to note 44 for prior period corrections made to commitments.

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42. Contingencies

Contingent liabilities

Contractual disputes

Below is a list of possible liability claims where the outcome was unknown at 30 June 2023 with the maximum unforeseen liability for the Municipality:

| | | |
|--------------------|------------------|------------------|
| MJ Matlole | 1,300,000 | 1,300,000 |
| Ntlyiso Consulting | 1,074,464 | 1,074,464 |
| Fire Fighters | 900,000 | 900,000 |
| WDT Goosen | 250,000 | 250,000 |
| Emily Dhiadhlha | 100,000 | 100,000 |
| PP Moloi | 1,000,000 | 1,000,000 |
| Amos Makoaqe | 1,000,000 | 1,000,000 |
| IMATU obo Dlamini | 200,000 | - |
| | 5,824,464 | 5,824,464 |

MJ Matlole (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

Ntlyiso Consulting (Pending)

The matter relates to a claim instituted in the amount of R1 074 464,00 for alleged services rendered by Ntlyiso Consulting which is disputed by the Municipality as well as the manner in which they were appointed.

Fire Fighters (Pending)

Fire Fighters appointed on the Mayor's programs and took the Municipality to court as they wanted to be appointed permanently

WDT Goosen (Pending)

The matter is about an accident due to a pothole and therefore the claim for damages for medical and future damages.

Emily Dhiadhlha (Pending)

Emily Dhiadhlha is an application in the Labour Court for a review which is still pending. However, the matter has not at this time being prosecuted and will all probably have lapsed and have been archived.

PP Moloi (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

Amos Makoaqe (Pending)

The case is a constructive dismissal matter referred to the CCMA. The claim amount is calculated at 12 months remuneration.

IMATU obo Dlamini (Pending)

The Municipality has launched a review application against the ruling made by the SALGBC Commissioner.

AUDITOR GENERAL

Mafube Local Municipality

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43. Related parties

Relationships

Accounting Officers

Members of key management

Refer to accounting officers' report.

LJ Ralebenya

DL Ramabitsa

ZE Mofokeng

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004.

Remuneration of management

Compensation of key management and personnel is set out in notes 38 and 41 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

AUDITOR GENERAL

Mafube Local Municipality

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43. Related parties (continued)

Remuneration of management

Management class: Councillors

2023

| Name | Basic Salary | Allowances | Contributions to UIF, Medical and Pension Funds | Total |
|------------------------------------|------------------|------------------|---|------------------|
| Mayor | | | | - |
| Clr. TI Motsoeneng | 717,917 | 188,327 | 8,461 | 914,704 |
| Speaker | | | | - |
| Clr. MM Mofokeng | 527,992 | 180,507 | 24,036 | 732,536 |
| Executive committee members | | | | - |
| Clr. EM Maboya | 285,336 | 96,125 | 3,552 | 385,012 |
| Councillors | | | | - |
| Clr. TJ Kotsi(Chief Whip) | 285,336 | 96,125 | 3,552 | 385,012 |
| Clr. MP Mokoena | 215,890 | 73,580 | 2,695 | 292,165 |
| Clr. SB Ntuli | 298,928 | 3,600 | 2,966 | 305,493 |
| Clr. A Tsotetsi | 285,870 | 3,600 | 2,835 | 292,305 |
| Clr. MR Tsotetsi | 327,583 | 5,920 | 42,043 | 375,546 |
| Clr. TP Mashiloane | 199,872 | 76,845 | 28,127 | 304,844 |
| Clr. MA Tsubane | 298,928 | 3,600 | 2,966 | 305,493 |
| Clr. AN Molefe | 246,315 | 56,213 | 2,861 | 305,388 |
| Clr. SM Steyn | 285,870 | 3,600 | 2,835 | 292,305 |
| Clr. FA Tsotetsi | 188,506 | 75,900 | 29,569 | 293,975 |
| Clr. WBM Gumede | 215,890 | 73,580 | 2,695 | 292,165 |
| Clr. JJ Kumbi | 285,870 | 3,600 | 2,835 | 292,305 |
| Clr. TBRJ Van Rensburg | 285,870 | 3,600 | 2,835 | 292,305 |
| Clr. JB Marais | 212,552 | 73,580 | 2,164 | 288,297 |
| | 5,164,523 | 1,018,303 | 167,028 | 6,349,850 |

AUDITOR GENERAL

Mafube Local Municipality

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43. Related parties (continued)

2022

| Name | Basic Salary | Allowances | Contributions to UIF, Medical and Pension Funds | Total |
|---|--------------|------------|---|---------|
| Mayor | | | | |
| Cllr. JE Sigasa (Mayor until mid November 2021) | 229,562 | 77,801 | 2,921 | 310,284 |
| Cllr. TI Motsoeneng (Mayor - from mid November 2021) | 538,167 | 2,321 | 5,237 | 545,726 |
| Speaker | | | | |
| Cllr. MM Mofokeng (Speaker) | 497,458 | 169,076 | 22,164 | 688,698 |
| Executive committee members | | | | |
| Cllr. MC Du Plessis(Exco) | 96,051 | 33,297 | 1,229 | 130,578 |
| Cllr. T.J Kotsi(Chief whip - from mid November till end of June 2022)(Exco) | 273,688 | 89,206 | 3,289 | 366,183 |
| Councillors | | | | |
| Cllr. FP Motloung (Chief Whip until mid November 2021)(Exco) | 96,051 | 47,804 | 1,375 | 145,230 |
| Cllr. WC Motloung | 81,831 | 32,357 | 12,376 | 126,564 |
| Cllr. JJ Hlongwane | 93,231 | 32,357 | 1,194 | 126,782 |
| Cllr. UC Jafta | 72,648 | 25,496 | 933 | 99,077 |
| Cllr. LS Kubeka | 72,648 | 25,496 | 933 | 99,077 |
| Cllr. RP Mokuene | 93,231 | 32,357 | 1,194 | 126,782 |
| Cllr. PM Monaune | 72,648 | 25,496 | 933 | 99,077 |
| Cllr. AS Mosia | 66,888 | 25,496 | 6,693 | 99,077 |
| Cllr. TL Moloi | 72,648 | 25,496 | 933 | 99,077 |
| Cllr. NE Rakoloti | 93,231 | 32,357 | 1,194 | 126,782 |
| Cllr. PS Skosana | 72,648 | 25,496 | 933 | 99,077 |
| Cllr. MP Mokoena | 204,322 | 78,908 | 2,696 | 285,926 |
| Cllr. SB Ntuli | 220,592 | 2,320 | 2,229 | 225,141 |
| Cllr. A Tsotetsi | 175,566 | 2,320 | 1,779 | 179,665 |
| Cllr.MR Tsotetsi | 226,646 | - | 2,266 | 228,913 |
| Cllr. TP Mashiloane | 165,444 | 57,468 | 2,119 | 225,031 |
| Cllr. MA Tsubane | 220,592 | 2,320 | 2,229 | 225,141 |
| Cllr. AN Molefe | 220,592 | 2,320 | 2,229 | 225,141 |

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43. Related parties (continued)

| | | | | |
|--|------------------|----------------|---------------|------------------|
| Cllr. SM Steyn | 175,566 | 2,320 | 1,779 | 179,665 |
| Cllr FA Tsotetsi | 154,097 | 17,027 | 6,078 | 177,202 |
| Cllr. WBM Gumede | 164,215 | 13,671 | 1,756 | 179,642 |
| Cllr. EM Maboya | 219,977 | 17,328 | 2,174 | 239,480 |
| Cllr. JJ Kumbi | 175,566 | 2,320 | 1,779 | 179,665 |
| Cllr. J Oost (was a councillor until 01 Feb 2022)(passed away) | 119,188 | 41,829 | 1,531 | 162,548 |
| Cllr. JB Marais(Councillor (VF+) from March 2022) replaced Cllr Oost | 48,243 | 16,981 | 1,151 | 66,375 |
| Cllr. TBRJ Van Rensburg | 175,566 | 2,320 | 1,779 | 179,665 |
| | 5,188,805 | 961,363 | 97,105 | 6,247,271 |

Refer to note 35 for remuneration of councillors.

Management class: Executive management

2023

| Name | Basic salary | Allowances | Contributions to UIF, Medical and Pension Funds | Total |
|--|----------------|------------------|---|------------------|
| Municipal Manager - LJ Ralebenya | 276,804 | 322,378 | 6,597 | 605,780 |
| Director Planning & Infrastructure - DL Ramabitsa | 56,357 | 225,529 | 2,957 | 284,844 |
| Director Community Service - ZE Mofokeng | 405,448 | 460,083 | 9,718 | 875,249 |
| Acting Chief Financial Officer - GA Mgcina | - | 407,958 | - | 407,958 |
| Acting Director Corporate Services - I Ngozo | - | 335,132 | - | 335,132 |
| Acting Director Corporate Services - DC Madibo | - | 167,431 | - | 167,431 |
| Acting Director Planning & Infrastructure - N Radebe | - | 449,029 | - | 449,029 |
| | 738,610 | 2,367,540 | 19,273 | 3,125,423 |

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43. Related parties (continued)

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| Name | Basic salary | Allowances | Contributions to UIF, Medical and Pension Funds | Total |
|---|------------------|------------------|---|------------------|
| Municipal Manager - LJ Ralebenya | 830,413 | 445,785 | 14,047 | 1,290,245 |
| CFO - MA Makoe | 369,264 | 250,886 | 7,159 | 627,309 |
| Director Planning & Infrastructure - DL Ramabitsa | 676,289 | 386,826 | 12,292 | 1,075,407 |
| Director Community Service - ZE Mofokeng | 608,172 | 454,943 | 12,225 | 1,075,340 |
| Director Corporate Service - PP Molo | 303,535 | 139,430 | 5,185 | 448,150 |
| Acting Director Corporate Services - I Ngozo | - | 511,224 | - | 511,224 |
| Acting Chief Financial Officer - GA Mgcina | - | 438,945 | - | 438,945 |
| | 2,787,673 | 2,628,038 | 50,909 | 5,466,620 |

Refer to note 32 for employee related costs.

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4. 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

2022

| | Note | As previously reported | Correction of error | Change in accounting policy | Re-classification | Restated |
|--|------|------------------------|---------------------|-----------------------------|-------------------|----------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| VAT receivable | | 81,979,532 | 670,719 | - | - | 82,650,251 |
| Inventories | | 1,267,968 | 187,860 | - | - | 1,455,828 |
| Receivables from exchange transactions | | 18,703,710 | (13,219) | - | - | 18,690,491 |
| Receivables from non-exchange transactions | | 7,404,521 | (3,421,614) | - | - | 3,982,907 |
| Cash and cash equivalents | | 2,429,203 | (424,445) | - | - | 2,004,758 |
| Non-current Assets | | | | | | |
| Investment property | | 55,890,341 | (9,624,807) | - | (2,227,719) | 44,037,815 |
| Property, plant and equipment | | 1,155,215,479 | 5,646,964 | - | - | 1,160,862,443 |
| Total Assets | | 1,322,890,754 | (6,978,542) | - | - | 1,315,912,212 |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Payables from exchange transactions | | 976,660,051 | (2,599,652) | - | - | 974,060,399 |
| Non-current Liabilities | | | | | | |
| Total Liabilities | | 976,660,051 | (2,599,652) | - | - | 974,060,399 |
| Total Net Assets | | 346,230,703 | (4,378,890) | - | - | 341,851,813 |
| Accumulated surplus | | (257,037,842) | 6,606,609 | - | - | (250,431,233) |

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44. Prior-year adjustments (continued)
Statement of financial performance
2022

| | Note | As previously reported | Correction of error | Change in accounting policy | Re-classification | Restated |
|--|------|------------------------|---------------------|-----------------------------|-------------------|---------------------|
| Revenue from exchange transactions | | | | | | |
| Service charges | | 70,128,115 | 825,900 | - | - | 70,954,015 |
| Rental of facilities and equipment | | 1,965,648 | (709) | - | - | 1,964,939 |
| Operational revenue | | 4,864,201 | 1,653,070 | - | - | 6,517,271 |
| Revenue from non-exchange transactions | | | | | | |
| Property rates | | 20,579,023 | 1,740,472 | - | - | 22,319,495 |
| Total Revenue | | 97,536,987 | 4,218,733 | - | - | 101,755,720 |
| Expenditure | | | | | | |
| Employee costs | | (110,784,982) | 3,935,602 | - | - | (106,849,380) |
| Depreciation and amortisation | | (40,074,059) | 1,247,345 | - | - | (38,826,714) |
| Finance costs | | (57,994,190) | (339,619) | - | - | (58,333,809) |
| General Expenses | | (79,678,617) | (5,138,119) | - | 48,912 | (84,767,824) |
| Total Expenditure | | (288,531,84) | (294,79) | | 48,912 | (288,777,72) |
| Fair value adjustments | | 2,228,094 | (2,919,558) | - | 2,228,094 | 1,536,630 |
| Inventory gains | | 382,830 | (22,286) | - | (48,911) | 311,659 |
| Impairment loss | | 487,581 | (1,140,712) | - | - | (653,131) |
| Gain or loss on disposal of assets and liabilities | | (193,35) | (62,88) | - | 37 | (295,87) |

Cash flow statement
2022

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|--|------|------------------------|---------------------|-------------------|----------------------|
| Cash flow from operating activities | | | | | |
| Taxation Revenue | | 13,866,614 | 8,139,341 | - | 22,005,955 |
| Sale of goods and services | | 15,149,946 | 125,933,088 | - | 141,083,034 |
| Suppliers | | (38,374,898) | (108,760,085) | - | (147,154,883) |
| Finance costs | | - | (58,333,809) | - | (58,333,809) |
| Employee costs | | (116,693,966) | 3,935,601 | - | (112,758,365) |
| Net cash from operating activities | | (126,052,304) | (29,105,864) | | (155,158,168) |

Cash flow from investing activities
Purchase of property, plant and equipment
Net cash from investing activities

| | | | | |
|---|---------------------|-------------------|----------|--------------------|
| | (32,496,195) | 28,155,599 | - | (4,340,596) |
| Net cash from investing activities | (32,496,195) | 28,155,599 | - | (4,340,596) |

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44. Prior-year adjustments (continued)

Errors

The following prior period errors were identified and corrected during the year:

Error 1: Investment property

All Land and Investment properties was verified against the valuation roll, properties was identified that was not included in the prior year register. Additional properties was identified that had to be removed as the properties transferred from owners and did not meet the criteria of Land or Investment properties.

| | |
|--|--------------|
| Affected line items | |
| Investment property | (9,624,807) |
| Accumulated surplus (deficit) | 22,528,638 |
| Impairment loss | (11,367,576) |
| Fair value adjustments | (1,536,630) |
| Gain or loss on disposal of assets and liabilities | 374 |

Error 2: PAYE, UIF & SDL Accrual

Management identified that in the current year debt equalization journals were processed by SARS and payments that were made in the current year dated back to the 2015 tax year.

| | |
|-------------------------------------|-------------|
| Affected line items | |
| Payables from exchange transactions | (2,215,912) |
| Finance costs | 285,642 |
| Accumulated surplus (deficit) | 3,383,340 |
| Operational revenue | (1,653,070) |

Error 3: Payables from exchange transactions

Correction of prior year accruals was done as it impact the current year opening balances of Payables from exchange transactions, all calculation and statements were obtained and creditors were accurately accounted for. Where differences was identified an adjustment was processed in the prior year. Management identified that in the current year debt equalization journals were processed by SARS and payments that were made in the current year dated back to the 2015 tax year.

| | |
|-------------------------------------|-------------|
| Affected line items | |
| Payables from exchange transactions | 3,988,926 |
| VAT receivable | 723,180 |
| Property, plant and equipment | 205,171 |
| General Expenses | 2,740,588 |
| Finance costs | 53,976 |
| Accumulated surplus (deficit) | (3,776,948) |
| Employee costs | (3,935,601) |
| Rental of facilities and equipment | 709 |

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44. Prior-year adjustments (continued)

Error 4: Property, plant and equipment

Management have changed the methodology of the prior year impairment calculations. The prior year asset registers was reversed from the GL, excluding additions, transfers, disposals as it would not be practical to correct each line item individually. All assets was physically verified during the year and all conditions were updated for the current year. The new register was accounted for accordingly. All completed WIP projects was re-ubundled and correctly transferred to PPE per phase of completion based on supporting completion certificates.

| | |
|--|--------------|
| Affected line items | (547,592) |
| Payables from exchange transactions | 71,425 |
| VAT receivable | 5,441,793 |
| Property, plant and equipment | (1,247,345) |
| Depreciation and amortisation | 2,656,564 |
| General Expenses | (18,945,647) |
| Accumulated surplus (deficit) | 12,508,287 |
| Impairment loss | 62,515 |
| Gain or loss on disposal of assets and liabilities | |

Error 5: Cash and cash equivalents

Management identified during the correction of the prior year reconciling items that an error occurred when the incurred transactions was recognized as reconciling items on the bank reconciliation of 2022.

| | |
|-------------------------------------|-----------|
| Affected line items | (424,445) |
| Cash and cash equivalents | 424,445 |
| Payables from exchange transactions | |

Error 6: Inventory

Water inventory was accounted for in terms of Circular 98 as water purchased are to be accounted for under Inventory.

| | |
|--------------------------------|-----------|
| Affected line items | (210,120) |
| General Expenses | 187,860 |
| Inventories | 22,260 |
| Inventories losses/write-downs | |

Error 7: Consumer Debtors

Correction of prior year uncorrected misstatements relating to own billing for rates and services and correction of duplicated writtoff transactions.

| | |
|--|-------------|
| Affected line items | 949,785 |
| Payables from exchange transactions | (123,885) |
| VAT receivable | 5,175,305 |
| Accumulated surplus (deficit) | (13,220) |
| Receivables from exchange transactions | (825,900) |
| Service charges | (3,421,614) |
| Receivables from non-exchange transactions | (1,740,472) |
| Property rates | |

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45. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

| | | | |
|---|---------------|--------------|---------------|
| Distribution losses <i>Disclosure updated presenting units and not amount.</i> | 51,361,122 | (45,639,582) | 5,721,540 |
| Comments <i>Correction of retentions in current year affecting prior year retentions and commitments.</i> | 54,320,012 | (1,491,794) | 52,828,218 |
| Unauthorized expenditure <i>Correcting prior year disclosure of unspent grants withheld from Equitable share</i> | 1,184,356,609 | (6,110,306) | 1,178,246,303 |
| Fruitless and wasteful expenditure <i>Identified additional transactions in 2022 and 2021</i> | 208,526,162 | 1,682,281 | 210,208,443 |
| PAYE and UIF <i>Correction of prior year disclosure to align as per the outstanding payable.</i> | 68,517,561 | (34,908,534) | 33,609,027 |
| Pension and Medical Aid Deductions <i>Correction of prior year disclosure to align as per the outstanding payable.</i> | 157,849,889 | 20,377,604 | 178,227,493 |

46. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipally treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.

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46. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | | | | |
|--------------------------|---------------------|--------------------------|--------------------------|--------------|
| At 30 June 2023 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Trade and other payables | 1,077,947,864 | - | - | - |
| At 30 June 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Trade and other payables | 974,060,402 | - | - | - |

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46. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing.

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

| | | |
|--|------------|------------|
| Financial Instrument | | |
| Receivables from exchange transactions | 2023 | 2022 |
| Receivables from non-exchange transactions | 15,564,745 | 18,690,491 |
| Bank balances | 3,336,713 | 3,982,807 |
| | 7,993,751 | 2,004,759 |

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 15.

Market risk

Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

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.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

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46. Risk management (continued)

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

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

47. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus/(deficit) of R 125673758 and that the municipality's current liabilities exceed its current assets by R -1015161945,88

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

The municipality is experiencing some financial difficulties, indicators are as follows:

1. Continuous attachment of the municipal bank account by pension funds and other creditors.
2. The municipality was unable to pay the employees' salaries for the months of May and June 2023. The salaries were only paid late July 2023.
3. Unspent conditional grants being withheld from the Equitable Share allocation.
4. Several litigations due to non-payment of long outstanding creditors of which poses a threat of the municipality's assets becoming attached.
5. Suppliers are not paid within the legislative 30 days.
6. Employee benefit obligations are unfunded; refer note
7. High levels of distribution losses; refer note
8. Slow collection and low recoverability of outstanding consumer accounts; and
9. Unfavourable financial ratios.

In addition, the municipality owed Eskom Holdings SOC R 514 395 040 (2022: R457 588 874) and Department water and sanitation R 107 480 213 (2022: R 108 642 781) as at 30 June 2023.

The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. There is material uncertainty that the municipality can operate as a going concern if additional funding cannot be procured. The ability of the municipality to continue as a going concern is dependent on several factors:

1. National Treasury developed a Financial Recovery Plan (FRP) for the Municipality. The Municipality is in the process of implementing the FRP.
2. Circular 124 – Eskom write-off agreement application.
3. Circular 123 – Budgeting process and improved tariff adjustments to improve service delivery collections.
4. Valuation roll implementation from 2019/20, this will improve property rates billing for next 5 years supplementary roll implemented every quarter.

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48. Events after the reporting date

The municipality have not identified any material category of non-adjusting events after the reporting date.

49. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

| | | |
|------------------------------------|----------------------|----------------------|
| Unauthorised expenditure | 1,542,277,710 | 1,178,246,303 |
| Irregular expenditure | 305,779,766 | 279,782,361 |
| Fruitless and wasteful expenditure | 270,657,009 | 210,208,443 |
| Closing balance | 2,118,714,486 | 1,668,237,107 |

50. Unauthorised expenditure

| | | |
|---|----------------------|----------------------|
| Opening balance as previously reported | 1,178,246,303 | 935,503,464 |
| Add: Unauthorised expenditure - Current | 352,031,407 | 231,823,698 |
| Conditional grants non compliance with Dora section 16(1) | 12,000,000 | 10,919,141 |
| Closing balance | 1,542,277,710 | 1,178,246,303 |

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

Unauthorised expenditure: Budget overspending – per municipal department:

| | | |
|-----------------------------------|--------------------|--------------------|
| Political Office | 75,450,405 | 11,039,247 |
| Financial Services | 256,424,700 | - |
| Planning & Infrastructure Service | 20,156,302 | 55,312,293 |
| Corporate Services | - | 165,472,158 |
| | 352,031,407 | 231,823,698 |

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| | 2023 | 2022 |
|--|--------------------|--------------------|
| 51. Fruitless and wasteful expenditure | | |
| Opening balance as previously reported | 210,208,443 | 154,565,752 |
| Add: Fruitless and wasteful expenditure identified - current | 60,448,566 | 53,980,410 |
| Add: prior year restatement(2021) | - | 1,628,470 |
| Add: prior year restatement(2022) | - | 53,812 |
| Closing balance | 270,657,009 | 210,208,443 |

Fruitless and wasteful expenditure is presented inclusive of VAT

Details of fruitless and wasteful expenditure

| | | |
|---|-------------------|-------------------|
| ABSA - interest on bank charges | 212,710 | 1,447 |
| AGSA - interest on overdue account | 1,173,257 | - |
| Department of Water & Sanitation - Interest on overdue accounts | 24,707,955 | 18,602,305 |
| Esikom - interest on overdue account | 35,051 | 21,334 |
| FNB - interest on bank charges | 4 | 2 |
| Rural Free State - interest on overdue account | 9,946,303 | 10,674,720 |
| SALA Pension fund - interest on overdue account | 8,843,789 | 10,868,222 |
| SAMWU Pension fund - interest on overdue account | 13,563,232 | 8,868,329 |
| SARS - interest & penalties | 686,233 | 4,876,826 |
| West Rand Consulting | - | 47,224 |
| Teikom | 52,937 | - |
| Manna Holdings | 213,995 | 53,812 |
| N & C Maintenance | 1,013,090 | - |
| | 60,448,566 | 54,014,222 |

No write offs of amounts were proposed to council or approved by council for the prior period under review.

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52. Irregular expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 279,782,361 | 206,618,592 |
| Opening balance as restated | 279,782,361 | 206,618,592 |
| Add: Irregular Expenditure - current | 25,997,405 | 73,163,769 |
| Closing balance | 305,779,766 | 279,782,361 |

Irregular expenditure is presented inclusive of VAT

Incidents/cases identified/reported in the current year include those listed below:

| | Disciplinary steps taken/criminal proceedings | |
|---|---|-------------------|
| Bid adjudication committee not properly composed. | - | 1,545,663 |
| Bid specifications Committee not in place | - | 264,709 |
| Competitive bidding not invited | 1,350,210 | 9,154,852 |
| Contract awarded yet the winning bidder's account for municipal rates and taxes and municipal service charges were in arrears for more than 3 months at the time of awarding the contract | - | 5,663,030 |
| Declaration of interest not submitted | 3,091,642 | 292,884 |
| No evidence of bids being advertised. | 1,865,053 | 441,211 |
| Service Level Agreement not in place | 2,244,263 | 25,226,049 |
| Suppliers not on CSD | 103,217 | 5,282,989 |
| Three written quotations not invited | 17,281,662 | 23,791,754 |
| No supporting documents | - | 52,849 |
| Quotations not approved by a delegated official | - | 1,426,136 |
| Awards were made to the supplier scoring the highest points | - | 21,643 |
| Expenditure not approved by a delegated official | 61,358 | - |
| | 25,997,405 | 73,163,769 |

MF

Matube Local Municipality

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53. Material Losses

| | | |
|--------------------------------------|-----------|-----------|
| Water distributed losses | | |
| Mega litres purchased | 9 024 941 | 9 024 941 |
| Mega litres lost during distribution | 6 323 302 | 5 721 540 |
| Percentage lost during distribution | 70% | 63% |

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 5 755 553 | 4 581 271 |
| Current year subscription / fee | 1 525 610 | 1 174 282 |
| Amount paid - current year | (7 205) | - |
| | 7 273 958 | 5 755 553 |

Audit fees

| | | |
|---------------------------------|-------------------|-------------------|
| Opening balance | 10 828 582 | 7 473 036 |
| Current year subscription / fee | 8 637 495 | 8 341 694 |
| Amount paid - current year | (7 587 597) | (4 986 147) |
| | 11 878 481 | 10 828 582 |

PAVE and UIF

| | | |
|------------------------------|------------------|-------------------|
| Opening balance | 33 609 027 | 40 089 716 |
| Current year subscription | 12 064 778 | 12 904 105 |
| Amount paid - current year | (13 923 060) | (1 153 331) |
| Amount paid - previous years | (30 145 469) | (18 231 463) |
| | 1 605 276 | 33 609 027 |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------------|--------------------|
| Opening balance | 178 227 493 | 156 458 730 |
| Current year subscription / fee | 22 834 366 | 15 581 465 |
| Amount paid - current year | (6 762 167) | (13 549 253) |
| Amount paid - previous years | 22 407 031 | 19 736 551 |
| | 216 706 723 | 176 227 493 |

VAT

South African Revenue Service

| | |
|------------|------------|
| 62 205 100 | 82 650 251 |
|------------|------------|

VAT output payables and VAT input receivables are shown in note 11.

All VAT returns have been submitted by the due date throughout the year.

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54. 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 | Outstanding | Total |
|------------------------|-------------------|-------------------|---------|
| | less than 90 days | more than 90 days | |
| | R | R | R |
| Cllr SM Steyn | 2,924 | 28 501 | 31,426 |
| Cllr JB Marais | 3,451 | 43 427 | 46,878 |
| Cllr Mchapi Mokoena | 1,962 | 30 839 | 32,801 |
| Cllr EM Maboya | 2,075 | 13 264 | 15,338 |
| Cllr JT Kotisi | 2,381 | 59 720 | 62,101 |
| Cllr Matsatsi Molekeng | 2,666 | 21,174 | 23,841 |
| Cllr Matsatsi Molekeng | 838 | 1,840 | 2,678 |
| Cllr Masatsi Molekeng | 3,200 | 61,012 | 64,212 |
| Cllr Action Tsoetsi | 1,374 | 23 806 | 25,180 |
| Cllr Moabi Tsubane | 3,029 | 41,268 | 44,297 |
| Cllr Mamonalla Tsoetsi | 2,088 | 28 990 | 31,078 |
| Cllr AM Molefe | 2,507 | 75,299 | 77,805 |
| Cllr Faku Tsoetsi | 1,784 | 42 306 | 44,090 |
| Cllr BW Gumede | 1,638 | 40 207 | 41,845 |
| Cllr Mashileane | 1,379 | 5,122 | 6,501 |
| Cllr TT Molesoeng | 1,531 | 2,616 | 4,147 |
| Cllr JJ Kumbi | 1,548 | 33 452 | 35,000 |
| Cllr Ntuli | 2,203 | 6 929 | 9,132 |
| Cllr Van Rensburg | 38,578 | 559,772 | 598,350 |

| 30 June 2022 | Outstanding | Outstanding | Total |
|---|-------------------|-------------------|----------------|
| | less than 90 days | more than 90 days | |
| | R | R | R |
| Cllr SA Mosisa (was a Councillor until 08 November 2021) | 935 | - | 935 |
| Cllr U Jarka (was a Councillor until 08 November 2021) | 1,770 | 49,769 | 51,539 |
| Cllr RP Mokuene (was a Councillor until 08 November 2021) | 2,860 | 120,803 | 123,663 |
| Cllr TL Mdoi (was a Councillor until 08 November 2021) | 6,421 | 78,223 | 84,644 |
| Cllr FP Moflong (was a Councillor until 08 November 2021) | 1,514 | 874 | 2,388 |
| Cllr LS Kubeka (was a Councillor until 08 November 2021) | 1,905 | 15,434 | 17,339 |
| Cllr W/C Molebung (was a Councillor until 08 November 2021) | 1,281 | 22,409 | 23,670 |
| Cllr PM Monraane (was a Councillor until 08 November 2021) | 783 | 20,189 | 20,971 |
| Cllr JT Kotisi (Councillor for full year) | 1,982 | 51,047 | 52,990 |
| Cllr M Mokoena (Councillor for full year) | 1,822 | 24,460 | 26,283 |
| Cllr J Ost (Councillor until January 2022) | 2,471 | 5,663 | 8,134 |
| M.J Tsubane (Councillor from 09 November 2021) | 1,748 | 30,838 | 32,587 |
| Cllr MR Tsoetsi (Councillor from 09 November 2021) | 2,092 | 42,859 | 44,951 |
| Cllr A Tsoetsi (Councillor from 09 November 2021) | 2,798 | 26,535 | 29,333 |
| Cllr TT Molesoeng (Councillor from 09 November 2021) | 1,729 | 10,502 | 12,231 |
| S.B Ntuli (Councillor from 09 November 2021) | 1,430 | 11,913 | 13,343 |
| | 33,482 | 511,517 | 545,001 |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

| 30 June 2023 | Highest outstanding amount | Aging (in days) |
|--|----------------------------|-----------------|
| Cllr SA Mosisa (was a Councillor until 08 November 2021) | 23,987 | 270 |

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| | 2023 | 2022 |
|---|----------------|--------------|
| 54. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Clir U Jatha (was a Councillor until 08 November 2021) | 36,804 | 270 |
| Clir RP Mokwene (was a Councillor until 08 November 2021) | 27,409 | 270 |
| Clir TL Moli (was a Councillor until 08 November 2021) | 10,434 | 270 |
| Clir FP Moflong (was a Councillor until 08 November 2021) | 55,120 | 270 |
| Clir L.S. Kubeka (was a Councillor until 08 November 2021) | 15,937 | 270 |
| Clir WC Moflong (was a Councillor until 08 November 2021) | 275 | 90 |
| Clir PM Moranue (was a Councillor until 08 November 2021) | 56,460 | 270 |
| Clir JT Kotli (Councillor for full year) | 20,994 | 270 |
| Clir M Mokoena (Councillor for full year) | 2,057 | 90 |
| Clir J Oost (Councillor until January 2022) | 36,429 | 270 |
| M.J. Tsabane (Councillor from 09 November 2021) | 23,976 | 270 |
| Clir.MR Tsotetsi (Councillor from 09 November 2021) | 71,363 | 270 |
| Clir. A Tsotetsi (Councillor from 09 November 2021) | 38,877 | 270 |
| Clir. TI Moseoeng (Councillor from 09 November 2021) | 37,057 | 270 |
| S.B Ntuli (Councillor from 09 November 2021) | 2,496 | 270 |
| Clir. JU Kumbi | 2,233 | 270 |
| Clir Ntuli | 30,478 | 270 |
| | 492,384 | 4,500 |

30 June 2022

| | Highest outstanding amount | Aging (in days) |
|---|----------------------------------|--------------------|
| Clir U Jatha (was a Councillor until 08 November 2021) | 46,349 | 270 |
| Clir RP Mokwene (was a Councillor until 08 November 2021) | 113,346 | 270 |
| Clir TL Moli (was a Councillor until 08 November 2021) | 72,395 | 270 |
| Clir FP Moflong (was a Councillor until 08 November 2021) | 390 | 120 |
| Clir L.S Kubeka (was a Councillor until 08 November 2021) | 934 | 270 |
| Clir WC Moflong (was a Councillor until 08 November 2021) | 19,961 | 270 |
| Clir PM Moranue (was a Councillor until 08 November 2021) | 18,675 | 270 |
| Clir. JT Kotli | 47,265 | 270 |
| Clir M Mokoena | 20,893 | 270 |
| Clir J Oost (Councillor until January 2022) | 1,824 | 240 |
| Clir. J Tsabane (Councillor from 09 November 2021) | 28,705 | 270 |
| Clir.MR Tsotetsi (Councillor from 09 November 2021) | 40,087 | 270 |
| Clir. A Tsotetsi (Councillor from 09 November 2021) | 23,677 | 270 |
| Clir TI Moseoeng (Councillor from 09 November 2021) | 8,170 | 270 |
| S.B Ntuli (Councillor from 09 November 2021) | 10,149 | 270 |
| | 454,618 | 3,870 |

Non-compliance with the Municipal Finance Management Act

In terms of section 65 (2)(e) of the Municipal Finance Management Act (Act 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 126 (1)(a) of the Municipal Finance Management Act (Act 56 of 2003), the accounting officer of a municipality must prepare the annual financial statements within 2 months after the end of the financial year.

55. Utilisation of Long-term liabilities reconciliation

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

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56. Deviation from supply chain management regulations

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

| | | |
|--|-----------|-----------|
| SCM paragraph reference | | |
| 36 (1)(a) v | 1,712,655 | 1,269,218 |
| Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes. | | |

| | | |
|-------------------------|------------------|------------------|
| Total deviations | 1,712,655 | 1,269,218 |
|-------------------------|------------------|------------------|

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57. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in seven key functional segments. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these segments are allocated at a transactional level.

The six key functional segments comprise of:

- Community Services
- Corporate Services
- Financial Services
- Office Of Municipal Manager
- Planning & Infrastructure Services
- Political Office

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

Aggregated segments

The municipality does not aggregate any other municipal activities into a general reportable segment.

Types of goods and/or services by segment

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

| Reportable segment | Goods and/or services |
|------------------------------------|---|
| Community Services | Community and social services, sports recreation and public safety |
| Corporate Services | Administrative functions in human resources, legal services or compliance, communications and finance |
| Financial Services | Administration and financial services |
| Office Of Municipal Manager | The Municipal Manager, as the Head of Administration and the Accounting Officer of the municipality. |
| Planning & Infrastructure Services | Energy sources, Water management, Waste water management and waste management |
| Political Office | Municipal Governance and Administration |

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

| | Community Services | Corporate Services | Financial Services | Office Of Municipal Manager | Planning & Infrastructure Service | Political Office | Total |
|---|---------------------|--------------------|----------------------|-----------------------------|-----------------------------------|-------------------|----------------------|
| Revenue | | | | | | | |
| Revenue from exchange transactions | | | | | | | |
| Interest received - investment | (10,561,286) | - | (2,159,457) | - | (42,319,799) | - | (55,040,541) |
| Operational revenue | - | - | (9,298,552) | - | (561,053) | - | (9,859,604) |
| Prescribed revenue | - | - | (812,400) | - | - | - | (812,400) |
| Rental of facilities and equipment | - | - | (615,152) | - | - | - | (615,152) |
| Service charges | (17,219,483) | - | - | - | (62,746,060) | - | (79,965,543) |
| Revenue from non-exchange transactions | | | | | | | |
| Fines, Penalties and Forfeits | - | - | (142,500) | - | - | - | (142,500) |
| Government grants and subsidies | - | - | (163,110,356) | - | - | - | (163,110,356) |
| Interest - Taxation revenue | - | - | (6,900,483) | - | - | - | (6,900,483) |
| Property rates | - | - | (23,247,693) | - | - | - | (23,247,693) |
| Public contributions and donations | - | 1 | (12,785,525) | - | - | - | (12,785,524) |
| Total segment revenue | (27,780,769) | 1 | (219,072,119) | - | (105,626,911) | - | (352,479,796) |
| Total revenue | | | | | | | (352,479,796) |
| Expenditure | | | | | | | |
| Bulk purchases | - | - | - | - | 27,966,963 | - | 27,966,963 |
| Debt Impairment | 550,425 | - | 152,576,985 | - | 2,306,128 | - | 155,433,538 |
| Depreciation and amortisation | 2,226,865 | 3,995,310 | 14,257,894 | - | 19,141,688 | - | 39,621,757 |
| Employee costs | 165,265 | (19,532) | 8,009,482 | 21,684,401 | 1,227,972 | 76,148,047 | 107,215,635 |
| Finance costs | - | 1,413,047 | 66,012,044 | - | - | - | 67,425,091 |
| General | 203,391 | 17,055,136 | 15,568,295 | 4,840,854 | 24,029,154 | 9,998,998 | 71,695,829 |
| Remuneration of councillors | - | - | - | - | - | 6,349,850 | 6,349,850 |
| Total segment expenditure | 3,145,946 | 22,443,961 | 256,424,700 | 26,525,255 | 74,671,906 | 92,496,895 | 475,708,663 |

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| | Community Services | Corporate Services | Financial Services | Office Of Municipal Manager | Planning & Infrastructure Service | Political Office | Total |
|--|--------------------|--------------------|--------------------|-----------------------------|-----------------------------------|------------------|----------------------|
| 57. Segment information (continued) | | | | | | | |
| Actuarial gains/losses | | | | | | | (1,925,320) |
| Fair value adjustments | | | | | | | (836,718) |
| Gain or loss on disposal of assets and liabilities | | | | | | | 3,147 |
| Impairment loss | | | | | | | 4,357,296 |
| Inventories losses/write-downs | | | | | | | (69,794) |
| Surplus (deficit) for the period | | | | | | | (124,757,478) |
| Assets | | | | | | | |
| Current assets | | | | | | | |
| Cash and cash equivalents | - | - | 7,993,751 | - | - | - | 7,993,751 |
| Inventories | - | - | 725,356 | - | 592,165 | - | 1,317,520 |
| Other financial assets | - | - | 301,258 | - | - | - | 301,258 |
| Receivables from exchange transactions | 798,311 | - | 7,471,042 | - | 7,295,392 | - | 15,564,745 |
| Receivables from non-exchange transactions | - | - | 3,336,713 | - | - | - | 3,336,713 |
| VAT receivable | (14,298,657) | - | 135,574,320 | - | (59,070,563) | - | 62,205,100 |
| Non-current assets | | | | | | | |
| Heritage assets | - | - | - | - | - | 35,758 | 35,758 |
| Investment property | - | 44,874,533 | - | - | - | - | 44,874,533 |
| Other financial assets | - | - | 258,351 | - | - | - | 258,351 |
| Property, plant and equipment | 216,674,390 | 80,156,946 | 759,046 | 1,976,589 | 863,059,693 | - | 1,162,626,664 |
| Total segment assets | 203,174,044 | 125,031,479 | 156,419,836 | 1,976,589 | 811,876,686 | 35,758 | 1,298,514,393 |
| Total assets as per Statement of financial Position | | | | | | | 1,298,514,393 |

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| | Community Services | Corporate Services | Financial Services | Office Of Municipal Manager | Planning & Infrastructure Service | Political Office | Total |
|---|---------------------|--------------------|------------------------|-----------------------------|-----------------------------------|------------------|------------------------|
| 57. Segment information (continued) | | | | | | | |
| Liabilities | | | | | | | |
| Current liabilities | | | | | | | |
| Payables from exchange transactions | - | - | (1,077,947,864) | - | - | - | (1,077,947,864) |
| Provisions | (3,922,676) | - | - | - | - | - | (3,922,676) |
| Retirement benefit obligation | - | - | (1,717,314) | - | - | - | (1,717,314) |
| Unspent conditional grants and receipts | - | - | (20,511,292) | - | - | - | (20,511,292) |
| Consumer deposits | - | - | (1,397,384) | - | (384,502) | - | (1,781,886) |
| Non-current liabilities | | | | | | | |
| Employee benefit obligation | - | - | (11,085,396) | - | - | - | (11,085,396) |
| Provisions | (55,874,206) | - | - | - | - | - | (55,874,206) |
| Total segment liabilities | (59,796,882) | - | (1,112,659,251) | - | (384,502) | - | (1,172,840,634) |
| Total liabilities as per Statement of financial Position | | | | | | | (1,172,840,634) |

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57. Segment information (continued)

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| | Community Services | Corporate Services | Financial Services | Office Of Municipal Manager | Planning & Infrastructure Service | Political Office | Total |
|---|---------------------|--------------------|----------------------|-----------------------------|-----------------------------------|-------------------|----------------------|
| Revenue | | | | | | | |
| Revenue from exchange transactions | | | | | | | |
| Interest received - investment | (6,694,947) | - | (2,294,055) | - | (26,357,127) | - | (35,346,130) |
| Operational revenue | - | - | (5,109,056) | - | (1,408,213) | - | (6,517,270) |
| Rental of facilities and equipment | - | - | (1,964,939) | - | - | - | (1,964,939) |
| Service charges | (16,742,436) | - | - | - | (54,211,579) | - | (70,954,015) |
| Revenue from non-exchange transactions | | | | | | | |
| Fines, Penalties and Forfeits | - | - | (61,300) | - | - | - | (61,300) |
| Government grants and subsidies | - | - | (143,007,509) | - | (1,075,000) | - | (144,082,509) |
| Interest - Taxation revenue | - | - | (4,826,178) | - | - | - | (4,826,178) |
| Property rates | - | - | (22,319,495) | - | - | - | (22,319,495) |
| Public contributions and donations | - | - | (617,441) | - | - | - | (617,441) |
| Total segment revenue | (23,437,383) | - | (180,199,973) | - | (83,051,920) | - | (286,689,277) |
| Total revenue | | | | | | | (286,689,277) |
| Expenditure | | | | | | | |
| Bulk purchases | - | - | - | - | 37,301,646 | - | 37,301,646 |
| Debt Impairment | 428,530,521 | - | (301,069,394) | - | 2,639,707 | - | 130,100,834 |
| Depreciation and amortisation | 2,207,369 | 3,939,814 | 8,897,474 | - | 23,782,056 | - | 38,826,713 |
| Employee costs | 10,196,051 | 9,759,210 | 14,057,564 | 42,416,543 | 20,463,193 | 9,956,819 | 106,849,381 |
| Finance costs | - | 1,269,698 | 57,064,111 | - | - | - | 58,333,809 |
| General | 150,452 | 19,792,265 | 19,641,004 | 4,086,096 | 27,391,388 | 13,755,531 | 84,816,736 |
| Remuneration of councillors | - | - | - | - | - | 6,247,270 | 6,247,270 |
| Total segment expenditure | 441,084,393 | 34,760,987 | (201,409,241) | 46,502,639 | 111,577,991 | 29,959,620 | 462,476,389 |

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| | Community Services | Corporate Services | Financial Services | Office Of Municipal Manager | Planning & Infrastructure Service | Political Office | Total |
|--|--------------------|--------------------|--------------------|-----------------------------|-----------------------------------|------------------|----------------------|
| 57. Segment information (continued) | | | | | | | |
| Actuarial gains/losses | | | | | | | (1,672,397) |
| Fair value adjustments | | | | | | | (1,536,630) |
| Gain or loss on disposal of assets and liabilities | | | | | | | 255,873 |
| Impairment loss | | | | | | | 653,131 |
| Inventories losses/write-downs | | | | | | | (311,659) |
| Surplus (deficit) for the period | | | | | | | (173,175,431) |
| Assets | | | | | | | |
| Current assets | | | | | | | |
| Cash and cash equivalents | - | - | 2,004,759 | - | - | - | 2,004,759 |
| Inventories | - | - | 1,025,712 | - | 430,116 | - | 1,455,828 |
| Other financial assets | - | - | 276,038 | - | - | - | 276,038 |
| Receivables from exchange transactions | 879,003 | - | 7,599,331 | - | 10,212,156 | - | 18,690,491 |
| Receivables from non-exchange transactions | - | - | 3,982,907 | - | - | - | 3,982,907 |
| VAT receivable | (11,875,008) | - | 144,753,872 | - | (50,228,613) | - | 82,650,251 |
| Non-current assets | | | | | | | |
| Heritage assets | - | - | - | - | - | 35,758 | 35,758 |
| Investment property | - | 44,037,814 | - | - | - | - | 44,037,814 |
| Other financial assets | - | - | 260,149 | - | - | - | 260,149 |
| Property, plant and equipment | 218,296,231 | 81,873,408 | 875,680 | 2,191,324 | 857,625,800 | - | 1,160,862,444 |
| Total segment assets | 207,300,227 | 125,911,222 | 160,778,449 | 2,191,324 | 818,039,460 | 35,758 | 1,314,256,439 |
| Total assets as per Statement of financial Position | | | | | | | 1,314,256,439 |

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Mafube Local Municipality

(Demarcation code: FS205)

Unaudited Annual Financial Statements for the year ended 30 June 2023

Notes to the Unaudited Annual Financial Statements

Figures in Rand

| | Community Services | Corporate Services | Financial Services | Office Of Municipal Manager | Planning & Infrastructure Service | Political Office | Total |
|---|---------------------|--------------------|-------------------------|-----------------------------|-----------------------------------|------------------|-------------------------|
| 57. Segment information (continued) | | | | | | | |
| Liabilities | | | | | | | |
| Current liabilities | | | | | | | |
| Consumer deposits | - | - | (1,400,453) | - | (296,341) | - | (1,696,794) |
| Payables from exchange transactions | - | - | (974,060,402) | - | - | - | (974,060,402) |
| Provisions | (2,158,028) | - | - | - | - | - | (2,158,028) |
| Retirement benefit obligation | - | - | (1,758,451) | - | - | - | (1,758,451) |
| Unspent conditional grants and receipts | - | - | (19,458,648) | - | - | - | (19,458,648) |
| Non-current liabilities | | | | | | | |
| Employee benefit obligation | - | - | (12,078,627) | - | - | - | (12,078,627) |
| Provisions | (52,614,258) | - | - | - | - | - | (52,614,258) |
| Total segment liabilities | (54,772,286) | | -(1,008,756,582) | | (296,341) | | -(1,063,825,208) |
| Total liabilities as per Statement of financial Position | | | | | | | (1,063,825,208) |

Matube Local Municipality

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58. Budget differences

Material differences between budget and actual amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFM/MA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %. The determining base was if the line item in the Statement of financial position or Statement of financial performance has more than a 10% deviation between the Final Budgeted amount and the Actual reported balance.

The variances identified in the Budget Statement is as follows:

| | |
|------------|---|
| Note 58.1 | The difference may have been caused by increase in the demand for municipal services as well as new connections resulting from new establishments. |
| Note 58.2 | The projection was made on the basis that, for the preceding financial period, the municipality had witnessed an increase in the number of occasions held which meant that revenue would have to be increased. Furthermore, the revenue is not within the control of the municipality, thus the baseline might fluctuate from the actual. |
| Note 58.3 | No provision was made in the budget for this line item. |
| Note 58.4 | This relates to revenue received from sources which are not within the control of the municipality. The increase was due to increase in valuation services and recoveries. All this revenue is not within the control of the municipality, thus it is normally advisable to keep the budget at a minimal. Additionally, municipality incorrectly budgeted for royalty income as dividends received, thus material difference identified |
| Note 58.5 | The baseline used was not in line with the final audited balance of prior year. This was due to weak budgeting processes which will be rectified in the next financial year. Under-estimate of projections for interest on overdue debtors as it forms part of interest projections. The basis used for budgeting of interest earned on debtors was incorrect and this will be corrected in the following financial year. |
| Note 58.6 | No provision was made in the budget for this line item. |
| Note 58.7 | Not material. To confirm with the final property rates figure. |
| Note 58.8 | The budget department did not budget for this line item. The budget department incorrectly set up the budget, thus the line item was not budgeted for. This was due to weak budgeting processes which will be rectified in the next financial year. |
| Note 58.9 | The decrease was due to unspent conditional grants/amount withheld which was off-set against the Equitable share. Management did not accurately adjust the government grants in their adjustment budget to reflect all the changes, thus differences noted. |
| Note 58.10 | The line item was not budgeted for as no public contributors or donations were anticipated by the municipality. Contributions or donations were not anticipated by the municipality. The amount disclosed were identified through the process of AFS preparation, thus the material difference identified. There was PPE Infrastructure capitalised as Undeadly government and included as part of public contributors and donations. |
| Note 58.11 | Fines, penalties and forfeits received are not within the control of the municipality, thus the fluctuation between the budgeted figure and the actual amount. |
| Note 58.12 | The following reasons attributed mainly to the decrease in personnel costs:- the projections on the budget had accounted for vacant positions which were not filled during the financial year- the calculation was also based on possible determination of Section 56 remuneration which did not materialise. - Resignations, retirement of employees, end of contracts of employees |

Matruhe Local Municipality

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Notes to the Unaudited Annual Financial Statements

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|-----------------|------|------|

| | |
|---|---|
| <p>58. Budget differences (continued) Note 58.13 Note 58.14</p> | <p>The budget was based on an inflation increase in the remuneration of councillors, this was as a result of over projection. The variance is mainly due to the increasing Eskom debt, Rural Free State debt and Department of Water Affairs accounts and pension fund outstanding balances, amongst others. The municipality is financially constrained and placed under administration and are not able to pay their creditors which impact interest on outstanding balances to be charged. Debt Impairment (Non-cash item) not budgeted for. The budget for bulk purchases was not in line with the actual spent. The budget was not correctly accounted for as it was under budgeted. No provision was made in the budget for this line item. The underspending is as a result of a portion of equitable which was withheld as the municipality used conditional grants to defray operating expenses, thus the municipality had less money to spend. Furthermore, the municipality implemented cost cutting measures during the year as the cash flow position of the municipality is still in a dire situation which resulted in an underspending for the year. No provision was made in the budget for this line item. No provision was made in the budget for this line item. The line item was under budgeted. Furthermore, depreciation is calculated at the end of the year and various corrections were made on PPE in the past two financial years thus the under budget for the depreciation. No provision was made in the budget for this line item. The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. The municipal debtors book is dominated mainly by exchange transactions, thus, this could have been as a result of misjudgement in projecting. No provision was made in the budget for this line item. The budget was not accurately set and will be rectified in the next budget period. The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. The increase can be attributed to the following factors:- when the budget was set, the municipality did not project accurately the changes to the PPE which include additions to PPE, the changes to the PPE were identified by the AFS consultants, thus the changes identified by the consultants were not factored in during the budget process No provision was made in the Annual budget for heritage assets. The line item was not budgeted for. This was an error from the budget department. The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. The budget was not accurately set. Incorrect base for the budget was used. The municipality is currently experiencing serious financial constraints and are not able to pay creditors impacting creditors to materially increase and significant amounts of interest charged. Furthermore, the municipality has been struggling with debt collection, thus were not able to settle their creditors. No provision was made in the budget for this line item. This was due to weak budgeting processes which will be rectified in the next financial year The baseline used for the budget was incorrect. Prior year actual amount should have been used as a baseline. Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts. The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.19 Note 58.20 Note 58.21</p> | <p>No provision was made in the budget for this line item. No provision was made in the budget for this line item. The line item was under budgeted.</p> |
| <p>Note 58.22 Note 58.23</p> | <p>No provision was made in the budget for this line item. The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified.</p> |
| <p>Note 58.24 Note 58.25 Note 58.26 Note 58.27</p> | <p>The municipal debtors book is dominated mainly by exchange transactions, thus, this could have been as a result of misjudgement in projecting. No provision was made in the budget for this line item. The budget was not accurately set and will be rectified in the next budget period. The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified.</p> |
| <p>Note 58.28</p> | <p>The increase can be attributed to the following factors:- when the budget was set, the municipality did not project accurately the changes to the PPE which include additions to PPE, the changes to the PPE were identified by the AFS consultants, thus the changes identified by the consultants were not factored in during the budget process No provision was made in the Annual budget for heritage assets. The line item was not budgeted for. This was an error from the budget department. The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified.</p> |
| <p>Note 58.29</p> | <p>The budget was not accurately set. Incorrect base for the budget was used. The municipality is currently experiencing serious financial constraints and are not able to pay creditors impacting creditors to materially increase and significant amounts of interest charged. Furthermore, the municipality has been struggling with debt collection, thus were not able to settle their creditors. No provision was made in the budget for this line item. This was due to weak budgeting processes which will be rectified in the next financial year The baseline used for the budget was incorrect. Prior year actual amount should have been used as a baseline.</p> |
| <p>Note 58.30</p> | <p>Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.31</p> | <p>The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.32</p> | <p>The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.33</p> | <p>The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.34</p> | <p>The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.35</p> | <p>The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.36</p> | <p>The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |
| <p>Note 58.37</p> | <p>The determination of unspent conditional grants is only performed at year end. The budget was based on the assumption that all funds will be spent by year end, thus no amount was budgeted for. The movement in the unspent was due to delays in appointment of service providers for various projects which impact the spending of the conditional grants The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year Under-estimate in calculation for this line item in preparing the budget. As the valuation of the provision are only performed at year end, the budget movement was unknown during the budget process, thus no figure was budgeted for. Going forward, management will determine a base utilising the prior amounts.</p> |

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58. Budget differences (continued)

Note 58.38 The budget was not accurately set. Incorrect base for the budget was used, thus the material difference identified. This will be rectified in the next following year.
 Note 58.39 Accumulated surplus is only performed at year end, thus the movement was unknown during the budget process.

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 10 to 11 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 10 to 11 in the annual report

59. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.