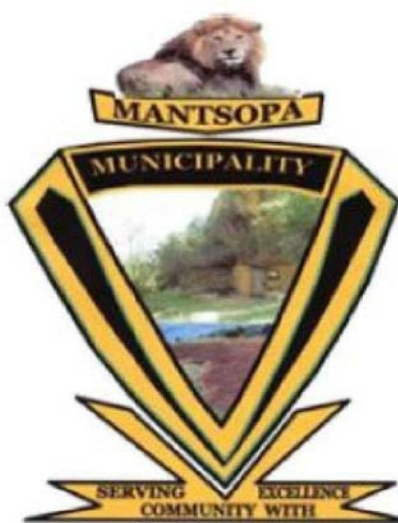


# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024



## Mantsopa Local Municipality

Annual Financial Statements  
for the year ended 30 June 2024

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

---

<b>Legal form of entity</b>	A municipality, which is an organ of the state within the local sphere of the government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayor	ME Tsoene
Speaker	ME Ncwada
Councillors	AJ Lemphane DT Molefe KI Tigeli BM Sani T Halse DJ Hatting RT Mpakathi TE Mutsi SJ Nkiane SJ Machakela KS Tsimatsima MA Lethoko CL Bower KS Motsoane MR Mokotjo ( 01 December 2023) Van Wyk (17 February 2024) MR Tladi-Pharoe (06 March 2024) MR Masilo (23 February 2024) SM Visagie KD Rantsonyane
<b>Grading of local authority</b>	Grade 3
<b>Chief Finance Officer (CFO)</b>	TD Tshikundu
<b>Accounting Officer</b>	MRE Mogopodi
<b>Business address</b>	38 Joubert Street Ladybrand Free State 9745
<b>Postal address</b>	PO Box 64 Ladybrand Free State 9745
<b>Bankers</b>	ABSA Bank Limited Standard Bank and Nedbank Limited
<b>Auditors</b>	The Auditor-General of South Africa
<b>Attorneys</b>	Matlo Attorneys Finger Attorneys Rampai Attorneys Mohobo Attorneys

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

---

Telephone number	(051) 924 0654
Fax number	(051) 924 0020
Website	<a href="http://www.mantsopa.fs.gov.za">www.mantsopa.fs.gov.za</a>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Index

---

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5 - 6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 13
Accounting Policies	14 - 34
Notes to the Annual Financial Statements	35 - 83

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PPE	Property, Plant & Equipment
CSD	Central Supplier Database
VAT	Value Added Tax
SCM	Supply Chain Management
FMG	Finance Management Grant
IGRAP	Interpretations of the Standards of Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
IT	Information Technology
EPWP	Expanded Public Works Programme
WSIG	Water Services Infrastructure Grant
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
SAMWU	South African Municipal Workers Union

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

---

**MRE Mogopodi**  
**Accounting Officer**

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

---

The accounting officer submits her report for the year ended 30 June 2024.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

The municipality's jurisdiction areas are: Ladybrand, Hobhouse, Tweespruit, Thaba-Phatswa and Excelsior

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

Net deficit of the municipality was R 153 854 066 (2023: deficit R 7 654 243).

### 2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 480 144 789 (2023: R631 216 814) and that the municipality's total assets exceed its liabilities by R 480 144 789(2023: R631 216 814).

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 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 government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cashflow of the municipality and where necessary procure funding for the ongoing operations for the municipality.

### 3. Subsequent events

The accounting officer is 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.

### 5. Accounting policies

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations issued by the Accounting Standards Board and Accounting Practices Board.

### 6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

### 7. Accounting Officer

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

Name	Nationality
M Mogopodi	South African

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

---

### 8. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 9. Auditors

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

### 10. Retirement benefit obligation

Management performed an actuarial valuation of the employee benefits of the employer's liability arising from the postretirement healthcare subsidy ("PRHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	4 006 201	3 372 104
Other financial assets	3	6 582	6 516
Receivables from exchange transactions	4&6	205 254 809	287 254 127
Receivables from non-exchange transactions	5&6	37 105 327	16 285 091
VAT receivable	7	36 740 227	34 689 165
Cash and cash equivalents	8	18 420 436	1 180 100
		<b>301 533 582</b>	<b>342 787 103</b>
<b>Non-Current Assets</b>			
Investment property	9	85 278 976	85 399 929
Property, plant and equipment	10	756 973 758	779 249 554
Other financial assets	3	1 811 162	1 456 556
		<b>844 063 896</b>	<b>866 106 039</b>
<b>Total Assets</b>		<b>1 145 597 478</b>	<b>208 893 142</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	11	10 187 772	9 334 972
Payables from exchange transactions	12	560 160 973	446 289 451
Employee benefit obligation	13	2 122 000	1 645 000
Unspent conditional grants and receipts	14	26 607 497	35 206 962
Consumer Deposits	15	1 677 747	1 641 196
Bank overdraft	8	-	-
		<b>600 755 989</b>	<b>494 117 581</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	13	36 883 000	38 924 000
Provisions	16	43 007 457	41 852 707
		<b>79 890 457</b>	<b>80 776 707</b>
<b>Total Liabilities</b>		<b>680 646 446</b>	<b>574 894 288</b>
<b>Net Assets</b>		<b>464 951 032</b>	<b>633 998 854</b>
Accumulated surplus		464 951 032	633 998 854
<b>Total Net Assets</b>		<b>464 951 032</b>	<b>633 998 854</b>

\* See Note 46

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	142 358 705	144 647 327
Rental of facilities and equipment	18	1 573 476	9 860
Interest received from outstanding debtors	19	74 541 878	61 484 468
Interest received from external investments	20	1 054 433	45 844
Debt impairment	29	-	21 919 302
Postage and courier		-	65 523
Other income	21	974 306	727 930
Dividends received	20	-	46 256
<b>Total revenue from exchange transactions</b>		<b>220 502 798</b>	<b>228 946 510</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	38 058 025	20 193 577
Interest received from outstanding debtors	19	570 265	3 448 365
<b>Transfer revenue</b>			
Government grants and subsidies	23	146 261 465	121 816 487
Fines, Penalties and Forfeits	24	237 004	270 586
<b>Total revenue from non-exchange transactions</b>		<b>185 126 759</b>	<b>145 729 015</b>
<b>Total revenue</b>		<b>405 629 557</b>	<b>374 675 525</b>
<b>Expenditure</b>			
Employee related costs	25	(122 075 424)	(115 588 847)
Remuneration of councillors	26	(5 694 427)	(8 132 850)
Depreciation and amortization	27	(42 321 392)	(41 855 794)
Finance costs	28	(30 773 657)	(21 030 781)
Debt impairment	29	(231 126 299)	(2 670 169)
Repairs and maintenance	30	(28 379 351)	(10 314 161)
Bulk purchases	31	(58 386 758)	(58 116 338)
General expenses	32	(47 435 751)	(52 670 040)
<b>Total expenditure</b>		<b>(566 193 059)</b>	<b>(310 378 980)</b>
<b>Operating (deficit) surplus</b>		<b>(160 563 502)</b>	<b>64 296 545</b>
Loss on disposal of assets and liabilities		(168 196)	(2 362 637)
Fair value adjustments	33	361 319	157 738
Actuarial gains/losses	34	11 925 089	6 490 932
Impairment reversals/(losses)	35	(6 751 742)	(76 236 821)
		<b>5 366 470</b>	<b>(71 950 788)</b>
<b>Deficit for the year</b>		<b>(155 197 032)</b>	<b>(7 654 243)</b>

\* See Note 46

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	664 034 462	664 034 462
Adjustments		
Prior year adjustments (see note 46)	(22 381 363)	(22 381 363)
<b>Opening balance as previously stated</b>	<b>641 653 099</b>	<b>641 653 099</b>
Changes in net assets		
Surplus for the year	(7 654 243)	(7 654 243)
Total changes	(7 654 243)	(7 654 243)
<b>Restated* Balance at 01 July 2023</b>	<b>633 998 855</b>	<b>633 998 855</b>
Changes in net assets		
Surplus for the year	(153 854 066)	(153 854 066)
Total changes	(153 854 066)	(153 854 066)
<b>Balance at 30 June 2024</b>	<b>480 144 789</b>	<b>480 144 789</b>

Note(s)

\* See Note 46

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		(213 081 241)	39 649 253
Sale of goods and services		296 437 315	57 499 301
Grants		137 661 998	142 294 000
Interest income		1 054 433	45 844
Cash flows of discontinued operations		-	46 256
		<u>222 072 505</u>	<u>239 534 654</u>
<b>Payments</b>			
Employee costs		(108 257 927)	(131 607 687)
Suppliers		(39 218 097)	(72 768 815)
Finance costs		(30 780 512)	(21 030 781)
		<u>(178 256 536)</u>	<u>(225 407 283)</u>
<b>Net cash flows from operating activities</b>	37	<b><u>43 815 969</u></b>	<b><u>14 127 371</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(27 073 761)	(19 065 619)
Interest Income		-	6 451
		<u>(27 073 761)</u>	<u>(19 059 168)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(354 803)	-
Finance costs		852 800	-
		<u>498 128</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>17 240 336</u></b>	<b><u>(4 931 797)</u></b>
Cash and cash equivalents at the beginning of the year		1 180 100	334 854
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>18 420 436</u></b>	<b><u>1 180 100</u></b>

\* See Note 46

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	152 899 914	(25 634 000)	<b>127 265 914</b>	142 358 705	<b>15 092 791</b>	
Rental of facilities and equipment	1 080 000	-	<b>1 080 000</b>	1 573 475	<b>493 475</b>	50
Interest received - outstanding debtors	63 601 368	(39 808 000)	<b>23 793 368</b>	74 541 878	<b>50 748 510</b>	50
Other income	1 545 767	-	<b>1 545 767</b>	974 306	<b>(571 461)</b>	
Interest received - external investments	-	-	-	1 054 433	<b>1 054 433</b>	
<b>Total revenue from exchange transactions</b>	<b>219 127 049</b>	<b>(65 442 000)</b>	<b>153 685 049</b>	<b>220 502 797</b>	<b>66 817 748</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	33 447 623	9 615 000	<b>43 062 623</b>	38 058 025	<b>(5 004 598)</b>	50
Interest received - outstanding debtors	-	-	-	570 265	<b>570 265</b>	
<b>Transfer revenue</b>						
Government grants and subsidies	162 129 208	5 359 732	<b>167 488 940</b>	146 261 465	<b>(21 227 475)</b>	50
Fines	600 000	-	<b>600 000</b>	237 004	<b>(362 996)</b>	50
<b>Total revenue from non-exchange transactions</b>	<b>196 176 831</b>	<b>14 974 732</b>	<b>211 151 563</b>	<b>185 126 759</b>	<b>(26 024 804)</b>	
<b>Total revenue</b>	<b>415 303 880</b>	<b>(50 467 268)</b>	<b>364 836 612</b>	<b>405 629 556</b>	<b>40 792 944</b>	
<b>Expenditure</b>						
Employee related costs	(107 892 018)	6 653 010	<b>(101 239 008)</b>	(122 075 424)	<b>(20 836 416)</b>	
Remuneration of councillors	(6 176 656)	1 554 955	<b>(4 621 701)</b>	(5 694 427)	<b>(1 072 726)</b>	50
Contracted services	(22 627 894)	(3 472 320)	<b>(26 100 214)</b>	(28 379 351)	<b>(2 279 137)</b>	50
Depreciation and amortisation	(40 675 000)	-	<b>(40 675 000)</b>	(42 321 392)	<b>(1 646 392)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(6 751 742)	<b>(6 751 742)</b>	50
Finance costs	(21 173 800)	(16 426 800)	<b>(37 600 600)</b>	(30 773 657)	<b>6 826 943</b>	
Debt impairment	(24 295 496)	-	<b>(24 295 496)</b>	(231 126 299)	<b>(206 830 803)</b>	50
Bulk purchases	(103 747 056)	(17 191 650)	<b>(120 938 706)</b>	(57 043 791)	<b>63 894 915</b>	
General expenses	(15 816 194)	1 113 811	<b>(14 702 383)</b>	(47 435 751)	<b>(32 733 368)</b>	50
<b>Total expenditure</b>	<b>(342 404 114)</b>	<b>(27 768 994)</b>	<b>(370 173 108)</b>	<b>(571 601 834)</b>	<b>(201 428 726)</b>	
<b>Operating deficit</b>	<b>72 899 766</b>	<b>(78 236 262)</b>	<b>(5 336 496)</b>	<b>(165 972 278)</b>	<b>(160 635 782)</b>	
Loss on disposal of assets	(540 000)	(540 000)	<b>(1 080 000)</b>	(168 196)	<b>911 804</b>	
Fair value adjustments	(201 194 889)	61 034 000	<b>(140 160 889)</b>	361 319	<b>140 522 208</b>	50
Actuarial gains/losses	-	-	-	11 925 089	<b>11 925 089</b>	50
	<b>(201 734 889)</b>	<b>60 494 000</b>	<b>(141 240 889)</b>	<b>12 118 212</b>	<b>153 359 101</b>	
<b>Surplus</b>	<b>(128 835 123)</b>	<b>(17 742 262)</b>	<b>(146 577 385)</b>	<b>(153 854 066)</b>	<b>(7 276 681)</b>	

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	287 415 397	(4 731 650)	<b>282 683 747</b>	4 006 201	<b>(278 677 546)</b>	50
Other financial assets	1 729 784	-	<b>1 729 784</b>	6 582	<b>(1 723 202)</b>	50
Receivables from exchange transactions	-	-	-	2 171 051	<b>2 171 051</b>	50
Receivables from non-exchange transactions	9 081 915	5 207 000	<b>14 288 915</b>	37 105 327	<b>22 816 412</b>	50
VAT receivable	34 748 646	-	<b>34 748 646</b>	36 740 228	<b>1 991 582</b>	
Cash and cash equivalents	111 733 161	6 156 596	<b>117 889 757</b>	18 420 437	<b>(99 469 320)</b>	50
	<b>444 708 903</b>	<b>6 631 946</b>	<b>451 340 849</b>	<b>98 449 826</b>	<b>(352 891 023)</b>	
<b>Non-Current Assets</b>						
Investment property	61 994 212	-	<b>61 994 212</b>	85 278 976	<b>23 284 764</b>	50
Property, plant and equipment	522 981 942	8 715 229	<b>531 697 171</b>	756 973 758	<b>225 276 587</b>	50
Intangible assets	30 000	-	<b>30 000</b>	-	<b>(30 000)</b>	50
Other financial assets	-	-	-	1 811 162	<b>1 811 162</b>	50
	<b>585 006 154</b>	<b>8 715 229</b>	<b>593 721 383</b>	<b>844 063 896</b>	<b>250 342 513</b>	
<b>Total Assets</b>	<b>1 029 715 057</b>	<b>15 347 175</b>	<b>1 045 062 232</b>	<b>942 513 722</b>	<b>(102 548 510)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	9 334 972	-	<b>9 334 972</b>	10 187 772	<b>852 800</b>	
Payables from exchange transactions	475 213 816	48 903 169	<b>524 116 985</b>	544 967 217	<b>20 850 232</b>	50
Employee benefit obligation	34 602 001	-	<b>34 602 001</b>	2 122 000	<b>(32 480 001)</b>	50
Unspent conditional grants and receipts	12 809 742	(15 813 732)	<b>(3 003 990)</b>	26 607 497	<b>29 611 487</b>	50
Provisions	47 819 706	-	<b>47 819 706</b>	-	<b>(47 819 706)</b>	50
Consumer Deposits	2 609 243	-	<b>2 609 243</b>	1 677 747	<b>(931 496)</b>	
Bank overdraft	341 952	-	<b>341 952</b>	-	<b>(341 952)</b>	
	<b>582 731 432</b>	<b>33 089 437</b>	<b>615 820 869</b>	<b>585 562 233</b>	<b>(30 258 636)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	36 883 000	<b>36 883 000</b>	50
Provisions	-	-	-	43 007 457	<b>43 007 457</b>	50
	-	-	-	<b>79 890 457</b>	<b>79 890 457</b>	
<b>Total Liabilities</b>	<b>582 731 432</b>	<b>33 089 437</b>	<b>615 820 869</b>	<b>665 452 690</b>	<b>49 631 821</b>	
<b>Net Assets</b>	<b>446 983 625</b>	<b>(17 742 262)</b>	<b>429 241 363</b>	<b>277 061 032</b>	<b>(152 180 331)</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	446 983 625	(17 742 262)	<b>429 241 363</b>	277 061 032	<b>(152 180 331)</b>	

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Taxation	16 892 763	3 107 237	<b>20 000 000</b>	39 649 253	<b>19 649 253</b>	50
Sale of goods and services	-	72 500 000	<b>72 500 000</b>	57 499 301	<b>(15 000 699)</b>	
Grants	153 658 000	-	<b>153 658 000</b>	142 294 000	<b>(11 364 000)</b>	50
Other receipts	1 500 000	-	<b>1 500 000</b>	-	<b>(1 500 000)</b>	50
	<b>172 050 763</b>	<b>75 607 237</b>	<b>247 658 000</b>	<b>239 442 554</b>	<b>(8 215 446)</b>	

##### Payments

Employee costs	(395 982 000)	(99)	<b>(395 982 099)</b>	(131 607 686)	<b>264 374 413</b>	50
Suppliers	-	-	-	(85 086 069)	<b>(85 086 069)</b>	50
	<b>(395 982 000)</b>	<b>(99)</b>	<b>(395 982 099)</b>	<b>(216 693 755)</b>	<b>179 288 344</b>	

#### Net cash flows from operating activities

	<b>(223 931 237)</b>	<b>75 607 138</b>	<b>(148 324 099)</b>	<b>22 748 799</b>	<b>171 072 898</b>	
Net increase/(decrease) in cash and cash equivalents	(223 931 237)	75 607 138	<b>(148 324 099)</b>	22 748 799	<b>171 072 898</b>	10
<b>Cash and cash equivalents at the end of the year</b>	<b>(223 931 237)</b>	<b>75 607 138</b>	<b>(148 324 099)</b>	<b>22 748 799</b>	<b>171 072 898</b>	

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand	Note(s)	2024	2023
-----------------	---------	------	------

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

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.

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

#### 1.1 Presentation currency

#### 1.2 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.

#### 1.3 Materiality

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

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

#### 1.4 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:

##### Trade receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 and loans and 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 nonpayment ratio is then multiplied with the consumer's total outstanding balance. The movement between a consumers yearly impairment balance is accounted through profit and loss in the statement of financial performance.

##### 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.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.4 Significant judgements and sources of estimation uncertainty

#### (continued) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material.

#### Useful lives of property, plant and equipment and investment properties

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.

#### Effective interest rate

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

#### Allowance for doubtful debts

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

### 1.5 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.

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.

Substantive rights and binding agreements are applied to confirm control over land as part of recognition criteria. Physical verification of these properties together with the terms of binding agreements are used to determine control of the land. The municipality does not control the land where the land is occupied by a third party and a binding agreement does not establish substantive rights.

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

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

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### **Cost model**

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

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

### **Item Useful life**

Property - land indefinite

Property - buildings 10 - 50 years

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.5 Property, plant and equipment (continued)

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 recognized 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 derecognized.

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.

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

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

---

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Plant and machinery	Straight-line	3 - 10 years
Furniture and fixtures	Straight-line	3 - 10 years
Motor vehicles	Straight-line	3 - 10 years
Infrastructure assets		
- Electricity network	Straight-line	7 - 50 years
- Roads network	Straight-line	8 - 50 years
- Wastewater network	Straight-line	30 - 50 years
- Water network	Straight-line	30 - 50 years
Community assets		
- Buildings	Straight-line	20 - 50 years
Recreational facilities	Straight-line	7 - 50 years
IT equipment	Straight-line	2 - 7years

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

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

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

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

Items of property, plant and equipment are derecognized 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 derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is

## **Mantsopa Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### **Accounting Policies**

---

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.6 Property, plant and equipment (continued)

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 recognized 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 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

### 1.7 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 recognized 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 recognized in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognized when:

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

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

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

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.8 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognized 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 amortization 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. Amortization 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 amortization period and the amortization 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 amortized over its useful life.

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

Internally generated goodwill is not recognized as an intangible asset.

Amortization 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
------	---------------------	---------------------

---

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

### 1.9 Financial instruments

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

Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortized cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.9 Financial instruments (continued)

#### Initial recognition and measurement

A financial instrument is recognized, when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

#### Subsequent measurement – financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at a mortised cost using the effective interest rate method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognized in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably measured are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance.

#### Subsequent measurement – financial liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.9 Financial instruments (continued)

#### 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
Other financial assets	Financial asset measured at fair value
Long-term receivables	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
Other financial assets	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

### 1.10 Leases

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

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

#### 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.

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.

### 1.11 Inventories

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value

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

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

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventory arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.11 Inventories (continued)

The carrying amount of inventory is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### 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.

### 1.12 Impairment of non-cash-generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### Designation

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

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

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.12 Impairment of non-cash-generating assets (continued)

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

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

#### Identification

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

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.

Irrespective of whether there is any indication of impairment, the entity 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:

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.13 Employee benefits

#### Short-term employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

#### Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the statement of financial position.

#### Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

#### Long-service allowance

The Municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

#### Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees.

#### Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the statement of financial performance.

#### Post-retirement Health Care Benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.14 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

### Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the statement of financial performance.

### 1.15 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

### Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.15 Revenue (continued)

#### Service charges – exchange revenue

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

#### Pre-paid electricity – exchange revenue

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 – exchange revenue

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

- the municipality has transferred to the buyer 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;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Dividends – exchange revenue

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### Revenue recognition of unclaimed deposits – exchange revenue

Unclaimed deposits older than three (3) years are recognised as revenue.

#### Rates and taxes – non-exchange revenue

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.15 Revenue (continued)

#### Fines – non-exchange revenue

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

#### Donations and Contributions – non-exchange revenue

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

#### Transfers and subsidies – non-exchange revenue

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the statement of financial performance.

#### Services received In-kind – non-exchange revenue

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

### 1.16 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.

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.16 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.16 Revenue from non-exchange transactions (continued)

#### Rates and taxes - non-exchange revenue

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

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

#### Fines – non-exchange revenue

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

#### Donations and contributions – non-exchange revenue

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

#### Transfers and subsidies - non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

### 1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

### 1.18 Investment income

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

### 1.19 Borrowing costs

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

### 1.20 Accounting by principals and agents

#### Identification

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

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

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.20 Accounting by principals and agents (continued)

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

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

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

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

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

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

#### Recognition

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

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

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

### 1.21 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance 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.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.23 Fruitless and wasteful expenditure

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

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

### 1.24 Irregular expenditure

Irregular expenditure, in relation to a municipality or municipal entity, means:

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of that act.
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, 2000 (No. 32 of 2000), and which has not been condoned in terms of that act.
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act, 1998 (Act No. 20 of 1998), or
- expenditure incurred by a municipality or municipal entity in contravention of, that is not in accordance with, a requirement of the supply chain management policy of the municipality, and which has not been condoned in terms of such policy, but excludes expenditure which falls within the definition of "unauthorised expenditure"

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

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

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

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

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (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.

### 1.25 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, 1997 (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.26 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.27 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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 basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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

Comparative information is not required.

### 1.29 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

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.

### 1.30 Commitments

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

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.30 Commitments (continued)

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

### 1.31 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Investment in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with investment income over receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the surplus/(deficit) for the period.

#### Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects the surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

### 1.32 Value added tax

The municipality is registered with the SARS for VAT on the payment basis, in accordance with the Section 15(2)(a) of the Value Added Tax Act, 1991 (Act no. 89 of 1991). Revenue, expenses and assets are recognised net of the amounts of value added tax. Value added tax is accounted for using the payment basis.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

---

### 1.32 Value added tax (continued)

- Receivables and payables that are stated with the amount VAT included.

### 1.33 Conditional grants and receipts

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

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

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

The municipality needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of the financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow of economic benefits. Revenue should only be recognised once evidence of the probability of the flow of economic benefits becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the division of revenue act where the period of use of such funds are stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imburement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

### Other grants and donations

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

Other grants and donations shall be recognised as revenue when:

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

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>2. Inventories</b>		
Consumable stores	3 972 586	3 369 963
Water for distribution	33 615	2 141
	<b>4 006 201</b>	<b>3 372 104</b>

Included in the consumables stores balance is:

- 1109 (2023: 1202) amazi water meters at a value of R 2 415 each;  
153 (2023: 153) honeywell water at a value of R3,067,15  
190(2023:0)Electrical Meters value at R4242.51
- 0 (2023: 94) boxes of paper at R 649 per box.

All inventory for the current year are carried at the lower of cost or the net realisable value.

None of the inventories were pledged as security for liabilities.

### 3. Other financial assets

#### Designated at fair value

Unlisted shares	1 608 954	1 248 394
OVK Holdings: 34 566 (2023: 34 566) shares at R 20.00 (2023: R18.00) per share		
OVK Operations: 29 678 (2023: 29 678) shares at R24.25 (2023: 21.10) per share		
Listed shares	62 695	61 936
Old Mutual: 5 060 (2023: 5 060) shares at R 12.39 (2023: R 1.10) per share		
	<b>1 671 649</b>	<b>1 310 330</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>3. Other financial assets (continued)</b>		
<b>At amortised cost</b>		
Loan and receivable	146 095	152 742
The Buiteklub loan commenced in May 1995 for a period of 50 years, bears interest at 1% per annum and is repaid in monthly instalments of R668		

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

<b>Total other financial assets</b>	<b>1 817 744</b>	<b>1 463 072</b>
<b>Non-current assets</b>		
Designated at fair value	1 671 649	1 310 330
At amortised cost	139 513	146 226
	<b>1 811 162</b>	<b>1 456 556</b>
<b>Current assets</b>		
At amortised cost	6 582	6 516

## Financial assets at fair value

### Fair values of financial assets measured or disclosed at fair value

Old Mutual	12.39	12.24
Share values was obtained from Old Mutual's website: <a href="https://www.oldmutual.com/investor-relations/share-price">https://www.oldmutual.com/investor-relations/share-price</a>		
OVK Holdings	20.50	18.00
Share values was obtained OVK Holdings statement as at 30 June 2024		
OVK Operations	24.50	21.10
Share values was obtained OVK Operations statement as at 30 June 2024		

## 4. Receivables from exchange transactions

Electricity	6 747 177	7 840 649
Refuse	47 912 920	66 797 908
Sewerage	69 764 207	94 629 676
Water	77 591 200	92 183 284
Rentals	1 068 255	23 354 054
Other receivables	2 027 339	2 304 844
Trade debtors	143 712	143 712
	<b>205 254 810</b>	<b>287 254 127</b>

### Fair value of trade and other receivables

Trade and other receivables	205 254 810	287 254 127
-----------------------------	-------------	-------------

The carrying amount of receivables from exchange transactions are denominated in Rand.

### Trade and other receivables impaired

As on June 2024, trade and other receivables of R (820 969 307) (2023: R 600 511 505) were impaired and provided for.

There are no receivables from exchange transactions pledged as security.

## 5. Receivables from non-exchange transactions

Rates	36 272 741	15 588 305
Fines	832 586	696 786

## Notes to the Annual Financial Statements

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

---

37 105 327      16 285 091

---

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Receivables from non-exchange transactions (continued)</b>		
<b>Statutory receivables general information</b>		
<b>Fair value of receivables from non-exchange transactions</b>		
Other receivables from non-exchange transactions	37 105 327	16 285 091
The carrying amount of receivables from non-exchange transactions are denominated in Rand.		
<b>Receivables from non-exchange transactions impaired</b>		
As of 30 June 2024, other receivables from non-exchange transactions of R 69 234 990- (2023: R 65 963 504) were impaired and provided for.		
<b>Reconciliation of provision for impairment - Traffic fines</b>		
Opening balance	(2 116 068)	(2 134 184)
Unused amounts reversed	-	18 116
	<b>(2 116 068)</b>	<b>(2 116 068)</b>

There are no receivables from non-exchange transactions pledged as security.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>6. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Rates	105 407 731	81 551 809
Electricity	44 913 605	39 372 222
Water	378 762 935	322 465 731
Sewerage	341 754 452	289 330 151
Refuse	238 129 393	200 359 731
Rentals, Jobbing and Contracts	20 492 681	33 786 241
	<b>1 129 460 797</b>	<b>966 865 885</b>
<b>Less: Allowance for impairment</b>		
Rates	(69 134 990)	(65 963 504)
Electricity	(38 166 428)	(31 531 573)
Water	(301 171 735)	(230 282 447)
Sewerage	(271 990 245)	(194 700 475)
Refuse	(190 216 473)	(133 561 823)
Rentals, Jobbing and Contracts	(19 424 426)	(10 432 187)
	<b>(890 104 297)</b>	<b>(666 472 009)</b>
<b>Net balance</b>		
Rates	36 272 741	15 588 305
Electricity	6 747 177	7 840 649
Water	77 591 200	92 183 284
Sewerage	69 764 207	94 629 676
Refuse	47 912 920	66 797 908
Rentals, Jobbing and Contracts	1 068 255	23 354 054
	<b>239 356 500</b>	<b>300 393 876</b>
<b>Statutory receivables included in consumer debtors above are as follows:</b>		
Rates	34 669 901	9 064 251
<b>Financial asset receivables included in consumer debtors above</b>		
	<b>204 686 599</b>	<b>291 329 625</b>
<b>Total consumer debtors</b>		
	<b>239 356 500</b>	<b>300 393 876</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	6 449 029	7 367 208
Water	74 162 557	67 935 102
Sewerage	66 681 428	65 407 956
Refuse	45 795 718	46 429 268
Rentals	1 026 375	4 807 319
	<b>194 115 107</b>	<b>191 946 853</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	34 669 901	9 064 251
<b>Net balance</b>		
	<b>228 785 008</b>	<b>201 011 104</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>6. Consumer debtors disclosure (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	3 627 983	842 341
31 - 60 days	3 150 580	224 521
61 - 90 days	3 134 635	222 408
91 - 120 days	2 932 723	213 821
121 - 365 days	23 426 820	14 085 214
	<b>36 272 741</b>	<b>15 588 305</b>
<b>Electricity</b>		
Current (0 -30 days)	3 980 541	1 235 297
31 - 60 days	2 072 071	73 581
61 - 90 days	2 187 327	166 669
91 - 120 days	1 697 557	80 079
121 - 365 days	(3 190 319)	6 285 023
	<b>6 747 177</b>	<b>7 840 649</b>
<b>Water</b>		
Current (0 -30 days)	4 791 597	3 407 189
31 - 60 days	4 492 914	1 101 304
61 - 90 days	5 260 384	1 082 067
91 - 120 days	4 430 789	1 091 454
121 - 365 days	58 615 516	85 501 270
	<b>77 591 200</b>	<b>92 183 284</b>
<b>Sewerage</b>		
Current (0 -30 days)	4 896 447	3 680 555
31 - 60 days	4 761 235	1 371 354
61 - 90 days	4 680 222	1 393 799
91 - 120 days	4 634 816	1 385 306
121 - 365 days	50 791 487	86 798 662
	<b>69 764 207</b>	<b>94 629 676</b>
<b>Refuse</b>		
Current (0 -30 days)	3 368 954	2 901 771
31 - 60 days	3 254 750	930 262
61 - 90 days	3 192 763	944 163
91 - 120 days	3 158 337	938 243
121 - 365 days	34 938 116	61 083 469
	<b>47 912 920</b>	<b>66 797 908</b>
<b>Rentals, Jobbing and Contracts</b>		
Current (0 -30 days)	380 531	306 796
31 - 60 days	251 877	100 067
61 - 90 days	228 940	99 548
91 - 120 days	214 223	99 073
121 - 365 days	(7 316)	22 748 570
	<b>1 068 255</b>	<b>23 354 054</b>
<b>Reconciliation of allowances for impairment</b>		
Balance at the beginning of the year	(666 472 009)	(688 420 215)
Contribution to allowance	(223 632 288)	21 948 206
	<b>(890 104 297)</b>	<b>(666 472 009)</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024                      2023

---

### 6. Consumer debtors disclosure (continued)

#### Statutory receivables general information

#### Statutory receivables impaired

As of 30 June 2024, Statutory receivables of R 69 134 990 (2023: R 65 569 501) were impaired and provided for.

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	(65 963 504)	(63 453 433)
Provision for impairment	(3 171 486)	(2 116 068)
	<b>(69 134 990)</b>	<b>(65 569 501)</b>

---

### 7. VAT receivable

Opening balance	34 689 166	34 689 166
Payables from exchange transactions	(6 681 913)	
Statutory receivables	8 732 975	
	<b>36 740 228</b>	<b>34 689 166</b>

---

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 564	1 564
Bank balances	17 906 848	1 017 714
Short-term deposits	512 024	160 822
	<b>18 420 436</b>	<b>1 180 100</b>

---

The municipality has the following facilities with ABSA bank:

- A credit card used for travel facility of R - , at year end this facility was not being utilised (2023: R 100 000).
- An overdraft facility of R - (2023: R 4 000 000), which may only be utilised on the approval of council.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - Current Type - 2020000050	121 103	241 031	(341 952)	(10 056 388)	241 031	(341 952)
Standard Bank – Current Account – 371180538	388 247	477 509	501 114	7 935 234	(1 985 663)	501 114
ABSA BANK - Call Account - 9264892325	962	962	1 010	962	962	1 010
ABSA BANK - Call Account - 9230571400	93	93	93	(4 999 907)	93	93
ABSA BANK - Call Account - 9278783703	1 173	1 113	1 122	1 173	1 113	1 122
ABSA BANK - Call Account - 9264892561	964	964	1 012	10 000 964	964	1 012
ABSA BANK - Call Account - 9277963448	1 101	1 044	1 056	1 101	1 044	1 056
ABSA BANK - Dep Plus - 9380637762	331 628	-	-	1 262 703	-	-
Nedbank - Call Account - 94831059996	168 201	156 617	145 487	168 201	156 617	145 487
Standard Bank -Account - 248495860	7 903	7 903	24 349	14 104 829	7 903	24 349
<b>Total</b>	<b>1 021 375</b>	<b>887 236</b>	<b>333 291</b>	<b>18 418 872</b>	<b>(1 575 936)</b>	<b>333 291</b>

### 9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	285 001 019	(199 722 043)	85 278 976	285 001 019	(199 601 090)	85 399 929

#### Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	85 399 929	(120 953)	85 278 976

#### Reconciliation of investment property - 2023

	Opening balance	Disposals	Depreciation	Total
Investment property	85 668 299	(147 664)	(120 706)	85 399 929

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 9. Investment property (continued)

#### Pledged as security

No Investment properties were pledged as security.

#### Impairment of investment properties

Key considerations made:

The municipality considered GRAP 16 and iGRAP 18 and calculated impairment on investment properties if the following factors are applicable to the municipality:

- The municipality must have the legal ownership and rights to the property in terms of an actual title deed.
- The property must be occupied by residents. And the municipality can not remove these residents due to political and socio-economic factors.
- Each erven was verified with arial footage to confirm occupation thereof.
- A final register of properties occupied owned by the municipality is then confirmed.
- All properties that are identified are then impaired by the municipality as the value in use could not be calculated as per iGRAP 18 as the future economic benefits could not be confirmed nor calculated.

#### Analysis

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.

#### Legal ownership

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.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community assets (incl own buildings)	157 973 118	(85 522 559)	72 450 559	161 717 422	(90 913 059)	70 804 363
Plant and machinery	1 385 416	982 024	2 367 440	1 385 416	(692 024)	693 392
Furniture and fixtures	5 934 936	(4 877 225)	1 057 711	5 893 006	(4 535 152)	1 357 854
Motor vehicles	32 709 731	(24 856 528)	7 853 203	31 151 288	(18 966 010)	12 185 278
IT equipment	5 009 661	(3 118 727)	1 890 934	5 066 531	(2 466 763)	2 599 768
Infrastructure - roads network	492 557 495	(230 096 803)	262 460 692	489 929 173	(215 909 340)	274 019 833
Infrastructure - electricity network	160 101 778	(95 013 490)	65 088 288	154 585 202	(85 184 824)	69 400 378
Landfill site asset	45 102 612	(23 455 589)	21 647 023	46 744 767	(20 001 232)	26 743 535
Infrastructure - wastewater network	269 145 714	(103 152 508)	165 993 206	268 841 220	(105 446 377)	163 394 843
Infrastructure - water network	286 864 672	(130 699 970)	156 164 702	288 743 430	(130 693 120)	158 050 310
<b>Total</b>	<b>1 456 785 133</b>	<b>(699 811 375)</b>	<b>756 973 758</b>	<b>1 454 057 455</b>	<b>(674 807 901)</b>	<b>779 249 554</b>

### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Other changes / movements	Depreciation	Impairment loss	Total
Infrastructure - electricity	69 400 378	1 247 201	-	(5 317 641)	(241 650)	65 088 288
Infrastructure - roads	274 019 833	3 213 708	-	(12 408 785)	(2 364 064)	262 460 692
Infrastructure - Water /Sanitation	163 394 843	9 784 358	-	(6 220 233)	(965 762)	165 993 206
Infrastructure - Solid Waste	26 743 535	-	(3 064 471)	(2 032 041)	-	21 647 023
Infrastructure - water	158 050 310	5 161 152	-	(7 039 910)	(6 850)	156 164 702
Community assets	70 804 363	7 969 828	-	(4 961 244)	(1 362 388)	72 450 559
IT equipment	2 599 768	55 224	-	(755 954)	(8 104)	1 890 934
Furniture and fixtures	1 357 854	71 729	-	(324 248)	(47 624)	1 057 711

Plant and machinery  
 Motor vehicles  
**Mantsopa Local Municipality**  
 Annual Financial Statements for the year ended 30 June 2024

693 392	1 793 750	-	(108 915)	(10 787)	2 367 440
12 185 278	-	-	(2 587 563)	(1 744 512)	7 853 203
<b>779 249 554</b>	<b>29 296 950</b>	<b>(3 064 471)</b>	<b>(41 756 534)</b>	<b>(6 751 741)</b>	<b>756 973 758</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Other changes / movements	Depreciation	Impairment loss	Total
Infrastructure – electricity	74 286 750	4 205 015	(109 832)	-	(5 178 125)	(3 803 430)	69 400 378
Infrastructure – roads	314 411 081	6 551 407	(176 726)	-	(12 285 013)	(34 480 916)	274 019 833
Infrastructure - Waste Water /Sanitation	174 144 349	1 831 266	(6 702)	-	(5 757 778)	(6 816 292)	163 394 843
Infrastructure - Landfil Site / Solid Waste	45 308 588	-	-	(16 193 323)	(2 371 730)	-	26 743 535
Infrastructure – water	191 228 142	1 384 502	(913 198)	-	(7 139 221)	(26 509 915)	158 050 310
Community assets	78 579 970	2 041 646	(202 953)	-	(5 184 607)	(4 429 693)	70 804 363
IT equipment	1 113 913	2 534 706	(398 501)	-	(646 513)	(3 837)	2 599 768
Furniture and fixtures	1 323 568	517 077	(135 595)	-	(368 803)	21 607	1 357 854
Plant and machinery	1 086 254	-	(248 166)	-	(158 160)	13 464	693 392
Motor vehicles	15 081 525	-	(23 301)	-	(2 645 138)	(227 808)	12 185 278
	<b>896 564 140</b>	<b>19 065 619</b>	<b>(2 214 974)</b>	<b>(16 193 323)</b>	<b>(41 735 088)</b>	<b>(76 236 820)</b>	<b>779 249 554</b>

#### Pledged as security

No property, plant and equipment assets were pledged as security.

#### Reconciliation of work-in-progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	23 032 964	2 041 646	25 074 61
Additions/capital expenditure	18 159 218	7 969 828	26 129 04
	<b>41 192 182</b>	<b>10 011 474</b>	<b>51 203 65</b>

#### Reconciliation of work-in-progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	21 552 589	-	21 552 58
Additions/capital expenditure	24 206 255	2 041 646	26 247 90

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>10. Property, plant and equipment (continued)</b>		
Transfer to expenses	(12 258 078)	- (12 258 078)
Transferred to completed items	(10 467 793)	- (10 467 793)
	<b>23 032 973</b>	<b>2 041 646 25 074 619</b>

- MIG/FS1278/SP/20/22-** Tweespruit/Borwa: The upgrading of the sports field (Phase 2) is experiencing delays due to insufficient funding. The service provider's request for a variation order was denied due to inadequate justification; however, it has been determined that the project will proceed as the municipality will co-finance the deficit: **R1 759 541**
- The MIG/FS1434/W/21/22** project is delayed due to insufficient water supply to the area, as its success is contingent upon the completion of the Ladybrand Reservoir 3B project. The project is in the 90% completion level: **R6 563 642**
- MIG/FS1475/ST/22/22-** Manyatseng (Ext 10): Provision of sewer reticulation for 306 sites and 336 toilet top structures, project is delayed due to insufficient water supply to the area, as its success is contingent upon the completion of the Ladybrand Reservoir 3B project. The project is in the 90% completion stage.:**R10 544 410**
- WSIG/FS196/01/2022/23** Increasing storage capacity in Ladybrand (Phase 3)- the project is delayed due to inadequate Budget from WSIG grant: **R4 483 923**
- WSIG/FS196/01/2021/22** Ladybrand: Construction of 3Ml Reservoir (Phase 2)- the project is delayed due to pending revised business plan approval, as soon as revised business is approved then the project will resume.:**R 636 551**

### Expenditure incurred to repair and maintain property, plant and equipment

Plant and Machinery	27 336 689	5 303 453
Motor Vehicles	-	1 425

### 11. Other financial liabilities

#### At amortised cost

Development Bank of Southern Africa	10 187 772	9 334 972
The municipality entered into a loan agreement with DBSA on 01 April 2015, whereby the DBSA borrowed a total capital amount of R 6 275 120 to the municipality. The loan was repayable over 6 years at an interest rate of 6.75% and 8.75%.		

#### Current liabilities

At amortised cost	10 187 772	9 334 972
-------------------	------------	-----------

### Defaults and breaches

The loan from the DBSA with carrying amount of R 10 187 772 - (2023: R 9 334 972) was in default as a result of not meeting capital repayment requirements as per the contractual arrangements. This was due to cash flow timing delays. The default was not rectified before annual financial statements were authorised for issue.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

---

### 12. Payables from exchange transactions

Trade payables	58 451 019	52 620 206
Payments received in advanced - Debtors with credit balances	17 740 632	20 065 841
Salary control accounts	18 753 314	9 762 211
Bulk Purchases – Electricity	404 024 982	326 686 789
Accrued leave pay	9 903 137	9 686 873
Accrued bonus	2 266 181	2 322 713
Accrued interest	4 178 353	392 253
Retentions	16 131 293	13 343 245
Unknown deposits	17 935 545	14 474 712
Auditor General	10 556 261	(3 186 300)
Bulk Purchases – Water	3 548 338	3 448 990
Agency Fees	(465 299)	(465 299)
PAYE Deductions	(2 862 783)	(2 862 783)
	<b>560 160 973</b>	<b>446 289 451</b>

---

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter the interest is charged in accordance with the

## **Mantsopa Local Municipality**

Annual Financial Statements for the year ended 30 June 2024  
credit of the various individual creditors that the municipality deals with.

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

---

# **Mantsopa Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

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

---

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. Payments received in advance is due to payments received for hall hire and prepaid electricity. Payments in advance are consumer debtors' accounts paid in advance.

Accrued leave and bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions.

### **13. Employee benefit obligations**

#### **Defined benefit plan**

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 13. Employee benefit obligations (continued)

#### Post-employment medical aid benefit liability

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective 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. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 269 (2023 - 310)
- In-service non-members (employees): 21 (2023 - 0)
- Continuation members (retirees, widowers and orphans): 11 (2023 - 13)

#### Long service award liability

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. 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 valuation of the present value of the defined benefit obligation were carried out at 30 June 2024. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

#### Post retirement medical aid plan

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 respective 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. 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 2024. 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 last actuarial valuation was dated 30 June 2024.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(29 499 000)	(34 223 000)
Present value of the defined benefit obligation-partly or wholly funded	(9 506 000)	(6 346 000)
	<b>(39 005 000)</b>	<b>(40 569 000)</b>
Non-current liabilities	(36 883 000)	(38 924 000)
Current liabilities	(2 122 000)	(1 645 000)
	<b>(39 005 000)</b>	<b>(40 569 000)</b>

Changes in the present value of the defined benefit obligation are as follows:

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Employee benefit obligations (continued)

Opening balance	(40 569 000)	(40 138 001)
Net expense recognised in the statement of financial performance	1 564 000	(430 999)
	<b>(39 005 000)</b>	<b>(40 569 000)</b>

### Net expense recognised in the statement of financial performance

Current service cost	(6 756 000)	(3 139 000)
Interest cost	(5 307 000)	(5 258 000)
Benefits paid	1 701 911	1 475 069
Actuarial (gains) losses	11 925 089	6 490 932
	<b>1 564 000</b>	<b>(430 999)</b>

### Calculation of actuarial gains and losses

Actuarial (gains) losses – Post Employment Medical Aid	10 976 000	5 899 000
Actuarial (gains) losses – Long Service Award	949 089	591 932
	<b>11 925 089</b>	<b>6 490 932</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount Rate: Post-employment Medical Aid benefit	12.35 %	13.22 %
Discount Rate: Long Service Award	11.21 %	10.93 %
CPI Rate : Post-employment Medical Aid benefit	6.31 %	7.73 %
CPI Rate : Long Service Award	5.35 %	5.98 %
Medical Aid inflation rate	4.21 %	9.32 %
Medical Aid : Maximum subsidy inflation rate	5.48 %	9.24 %
Net effective discount rate : Post-employment Medical Aid benefit	6.51 %	3.65 %
Net effective discount rate : Long Service Award	4.57 %	2.74 %

### Other assumptions

The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation and Long Service Award is as follows:

Post Employment Medical Aid Benefit Plan

Current service costs & interest increase - general inflation	5 740 000	7 837 000
Post Employment Medical Aid increase - general inflation	31 907 000	38 455 000
Current service costs & interest decrease - general inflation	4 713 000	6 022 000
Post Employment Medical Aid decrease - general inflation	26 470 000	30 101 000
Long service award		
Current service costs & interest increase - general inflation	2 001 000	1 349 000
Long Service Award increase - general inflation	10 073 000	6 731 000
Current service costs & interest decrease - general inflation	1 757 000	1 191 000
Long Service Award decrease - general inflation	8 991 000	5 994 000

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

	2024	2023	2022	2021	2020
	R	R	R	R	R
Post Employment Medical Aid	29 499 000	34 223 000	33 658 000	14 614 721	17 021 967
Long Service Award	9 506 000	6 346 000	6 480 001	5 124 142	4 457 649

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	3 339 061	26 596 739
Integrated National Electrification Programme (INEP)	4 958 268	4 958 268
Water Services Infrastructure Grant (WSIG)	9 043 530	3 651 955
Disaster Management Grant	9 266 638	-
	<b>26 607 497</b>	<b>35 206 962</b>

#### Movement during the year

Balance at the beginning of the year	35 206 962	13 157 553
Additions during the year	49 999 000	51 232 000
Income recognition during the year	(36 131 464)	(17 818 591)
MIG Repayment - Equitable Share	(22 467 000)	(13 564 000)
Income recognition during the year	-	2 200 000
	<b>26 607 498</b>	<b>35 206 962</b>

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.

See note 23 for reconciliation of grants from National/Provincial Government.

### 15. Consumer Deposits

Water	902 285	848 629
Electricity	894 820	913 990
Rentals	(121 399)	(123 303)
Other	2 041	1 881
	<b>1 677 747</b>	<b>1 641 197</b>

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of the consumer deposits approximate their fair value.

The fair value of the consumer deposits were determined after considering the standard terms and conditions of the agreements entered into between the municipality and its consumers.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

### 16. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	41 852 707	(3 454 357)	4 609 107	43 007 457

#### Reconciliation of provisions - 2023

	Opening Balance	Change in provision	Unwinding of Interest	Total
Environmental rehabilitation	51 826 234	(16 193 323)	6 219 796	41 852 707

#### Environmental rehabilitation provision

Environmental rehabilitation provision:

There are four existing waste disposal sites, one in each town of Ladybrand, Hobhouse, Excelsior and Tweespruit. A provision has been recognised to account for the closure cost estimate for the sites in question.

Landfill closure and rehabilitation:

Landfill operations continue until all the available permitted land space has been filled. Once this happens, the site will be closed 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 made.

### 17. Service charges

Sale of electricity	61 294 215	68 615 504
Sale of water	29 656 655	24 689 149
Solid waste	21 311 949	21 004 176
Sewerage and sanitation charges	30 095 886	30 338 498
	<b>142 358 705</b>	<b>144 647 327</b>

The amounts disclosed above for revenue generated from service charges are in respect to services rendered and billed to the consumers on a monthly basis in accordance with the approved tariffs, except in the case of service rendered to consumers registered as indigent debtors. It is the municipality's practice not to bill indigent consumer debtors for services rendered.

### 18. Rental of facilities and equipment

#### Premises

Premises	1 573 475	9 860
----------	-----------	-------

### 19. Interest received on outstanding debtors

Receivables from non-exchange transactions	570 265	3 448 365
Receivables from exchange transactions	74 541 878	61 484 468
	<b>75 112 143</b>	<b>64 932 833</b>

### 20. Investment revenue

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

OVK

-

46 256

---

Interest in revenue

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>20. Investment revenue (continued)</b>		
Bank accounts	1 054 433	45 844
	<b>1 054 433</b>	<b>92 100</b>
<b>21. Other income</b>		
Administrative Handling Fees	11 616	99 661
Collecton Charges	100 703	151 056
Commission received	(4)	30
Inspection Fees	4 148	-
Insurance Refund	17	-
Sale of Property	61 666	80 398
Connections	29 447	-
Advertisements	5 017	10 486
Adendem Fees	3 515	9 245
Application for Land Use	36 974	1 868
Building plan approval	49 572	25 399
Building Plan Clause Levy	16 737	15 946
Cemetery and Burial	189 883	162 491
Clearance certificate	23 188	14 989
Photo copies; Faxes and Telephone charges	32 110	44 811
Sale of Goods	362 519	91 714
Valuation Services	47 198	19 836
	<b>974 306</b>	<b>727 930</b>
<b>22. Property rates</b>		
<b>Rates received</b>		
Property rates levied	38 058 025	20 193 577
<b>Valuations</b>		
Residential	2 188 261 500	1 879 347 000
Commercial	610 416 000	296 828 000
Public service infrastructure	25 720 000	292 425 000
Municipal	7 975 000	6 530 000
Small holdings and farms	3 228 183 000	3 489 013 355
Schools and churches	732 462 000	23 506 000
Vacant land	-	232 272 500
Servitudes	-	147 500
	<b>6 793 017 500</b>	<b>6 220 069 355</b>

The last valuation came into effect on 20 June 2018 and rates in the current year was calculated on these property values. A supplementary valuation received came into effect 01 July 2023 and was implemented in the 2023 / 2024 financial year.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024 2023

### 23. Government grants and subsidies

#### Operating grants

Equitable share	110 130 000	102 426 000
Local Government Financial Management Grant (FMG)	3 100 000	3 100 000
Expanded Public Works Programme Integrated Grant (EPWP)	833 000	1 337 000
Disaster Management Grant	4 817 362	-
	<b>118 880 362</b>	<b>106 863 000</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	21 555 000	5 342 522
Water Services Infrastructure Grant (WSIG)	5 035 425	9 610 965
	<b>26 590 425</b>	<b>14 953 487</b>
	<b>145 470 787</b>	<b>121 816 487</b>

#### Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	36 131 465	14 953 487
Unconditional grants received	110 130 000	106 863 000
	<b>146 261 465</b>	<b>121 816 487</b>

#### 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 and operational costs of the municipality.

The gazetted amount was R 110 130 000 and only R 87 663 000 was transferred to the municipality as a result of funds withheld against the equitable share amounting to R 22 467 000.

All registered indigents receive a monthly subsidy of 50 KWh (2023: 50 KWh), which is funded from the grant.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	26 596 739	3 628 261
Current-year receipts	21 555 000	32 275 000
Conditions met - transferred to revenue	(21 555 000)	(5 342 522)
Repayment (withheld from Equitable Share allocation)	(22 467 000)	(3 964 000)
	<b>4 129 739</b>	<b>26 596 739</b>

Conditions still to be met - remain liabilities (see note 14).

The MIG was allocated for the construction of roads, maintenance of aging municipal infrastructure and to provide for new rehabilitation and upgrading of municipal infrastructure.

#### Local Government Financial Management Grant (FMG)

Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
--	------	------

### 23. Government grants and subsidies (continued)

#### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	3 651 955	8 142 920
Current-year receipts	10 427 000	11 720 000
Conditions met - transferred to revenue	(5 035 425)	(9 610 965)
Other	-	(6 600 000)
	<b>9 043 530</b>	<b>3 651 955</b>

Conditions still to be met - remain liabilities (see note 14).

The WSIG was allocated for the construction of water infrastructure, maintenance of aging municipal infrastructure and to provide for new rehabilitation and upgrading of municipal infrastructure.

#### Integrated National Electrification (INEP)

Balance unspent at beginning of year	4 958 268	2 958 268
Current-year receipts	-	2 800 000
Other	-	(3 000 000)
Additional INEP income recognition during the year	-	2 200 000
	<b>4 958 268</b>	<b>4 958 268</b>

Conditions still to be met - remain liabilities (see note 14).

The grant is paid by National Treasury in order to implement the INEP by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

#### Expanded Public Works Programme Integrated Grant (EPWP)

Current-year receipts	833 000	1 337 000
Conditions met - transferred to revenue	(833 000)	(1 337 000)
	-	-

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

All the conditions of the grant were met, the grant was fully spent by the end of the financial year and no funds were withheld.

#### Disaster Grant

Current-year receipts	14 084 000	-
Conditions met - transferred to revenue	(4 817 362)	-
	<b>9 266 638</b>	-

### 24. Fines, penalties and forfeits

Traffic fines	237 004	270 586
---------------	---------	---------

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>25. Employee related costs</b>		
Basic	57 479 723	66 725 639
Bonus	9 108 211	3 254 762
Car allowance	14 947 884	10 138 151
Housing benefits and allowance	12 552 651	363 955
Leave pay provision charge	-	1 521 364
Long service awards	7 674 487	10 034 387
Medical aid - company contributions	11 819 377	14 605 479
Other payroll levies	5 443 285	6 310 600
Overtime payments	1 513 121	1 544 383
SDL	1 535 777	1 089 910
UIF	908	217
	<b>122 075 424</b>	<b>115 588 847</b>

### Remuneration of municipal manager - MRE Mogopodi

Annual Remuneration	816 849	174 266
Car Allowance	96 000	24 000
Contributions to UIF, Medical and Pension Funds	253 007	63 252
Other	139 550	21 685
	<b>1 305 406</b>	<b>283 203</b>

Ms Mogopodi was appointed as the Municipal Manager with an effective date of 1 May 2023.

### Remuneration of Director Corporate Services MN Makwetla

Annual Remuneration	753 634	-
Car Allowance	114 000	-
Contributions to UIF, Medical and Pension Funds	47 685	-
Other	133 012	-
	<b>1 048 331</b>	<b>-</b>

Advocate MN Makwetla started the position 1 July 2023

### Remuneration of Acting Director : Technical Services - MTS Moeti

Annual Remuneration	157 348	-
Car Allowance	60 457	-
Housing Allowance	1 752	-
Contributions to UIF, Medical and Pension Funds	47 054	-
Acting Allowance	11 187	-
	<b>277 798</b>	<b>-</b>

Mr. Moeti acted as the technical services director from 1 September 2023 to 30 November 2023..

### Remuneration of Chief Financial Officer - TD Tshikundu

Annual Remuneration	796 796	587 065
Car Allowance	264 047	264 048
Contributions to UIF, Medical and Pension Funds	51 132	29 608
Other	21 049	94 321
	<b>1 133 024</b>	<b>975 042</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 25. Employee related costs (continued)

#### Remuneration of Acting Director Community Services - KG Matsekane

Annual Remuneration	157 348	-
Car Allowance	63 859	-
Contributions to UIF, Medical and Pension Funds	41 141	-
Acting Allowance	35 973	-
	<b>298 321</b>	<b>-</b>

KG Matsekane acted as the Director Community Services for the period 1 September 2023 to 30 November 2023.

#### Remuneration of Director Technical Services - NA Kelepu

Annual Remuneration	399 292	-
Car Allowance	140 000	-
Contributions to UIF, Medical and Pension Funds	66 202	-
	<b>605 494</b>	<b>-</b>

NA Kelepu started 1 December 2023 in the position as Director Technical Services

#### Remuneration of Director Technical Services - AB Masuku

Annual Remuneration	180 088	758 856
Car Allowance	60 000	260 000
Contributions to UIF, Medical and Pension Funds	34 454	143 074
Other	114 886	79 880
	<b>389 428</b>	<b>1 241 810</b>

AB Masuku contract ended 30 September 2023.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>25. Employee related costs (continued)</b>		
<b>Remuneration of Director Community Services - MM Lesoetsa</b>		
Annual Remuneration	527 551	627 657
Car Allowance	153 000	243 000
Performance Bonuses	-	50 444
Contributions to UIF, Medical and Pension Funds	26 033	156 945
Other	118 064	144 374
	<b>824 648</b>	<b>1 222 420</b>
MM Lesoetsa contract ended on 31 August 2023 and was re appointed on 1 December 2023.		
<b>26. Remuneration of councillors</b>		
Executive mayor	705 276	341 849
Speaker	269 731	769 211
Councillors	4 719 420	7 021 790
	<b>5 694 427</b>	<b>8 132 850</b>
<b>Additional information</b>		
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, 1996 (Act No. 108 of 1996).		
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	42 200 439	41 735 088
Investment property	120 953	120 706
	<b>42 321 392</b>	<b>41 855 794</b>
<b>28. Finance costs</b>		
Other financial liabilities	1 639 502	779 377
Trade and other payables	19 218 048	8 773 608
Landfill site	4 609 107	6 219 796
Employee benefit obligations	5 307 000	5 258 000
	<b>30 773 657</b>	<b>21 030 781</b>
<b>29. Debt impairment</b>		
Receivables from exchange	227 954 812	-
Receivables from non-exchange	3 171 487	2 670 169
	<b>231 126 299</b>	<b>2 670 169</b>
Debt impairment reversal of 2023 amounted to R21 919 302 and is included in the revenue from exchange transactions.		
<b>30. Repairs and maintenance</b>		
Repairs and maintenance	28 379 351	10 314 161
<b>31. Bulk purchases</b>		
Electricity	57 042 340	55 373 637
Water	1 344 418	2 739 701
	<b>58 386 768</b>	<b>58 113 338</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 31. Bulk purchases (continued)

#### Electricity losses

	Number 2024	Number 2023		
Units purchased	30 737 108	31 628 208	57 042 340	55 373 637
Units sold	(21 316 576)	(22 130 865)	(39 804 404)	(38 985 778)
<b>Total loss</b>	<b>9 420 532</b>	<b>9 497 343</b>	<b>17 237 936</b>	<b>16 387 859</b>
Percentage loss: Non-technical and technical losses	31 %	30 %	- %	- %

#### Water losses

	Number 2024	Number 2023		
Units purchased	2 101 100	4 538 594	1 344 418	2 739 701
Units sold	(1 546 093)	(2 855 504)	( 989 290)	(1 723 712)
<b>Total</b>	<b>555 007</b>	<b>1 683 090</b>	<b>355 129</b>	<b>1 015 989</b>
Percentage loss: Technical losses and Non - Technical	26 %	37 %	- %	- %

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>32. General expenses</b>		
Accounting fees	15 685 009	260 195
Advertising	419 407	636 498
Audit committee	531 655	406 928
Auditors remuneration	7 177 423	4 930 989
Bank charges	374 824	1 208 222
Cleaning	1 702 340	176 446
Commission paid	-	735 150
Community development and training	50 078	24 057
Consulting and professional fees	4 583 768	2 463 497
Consumables	451 248	1 188 904
Deeds	525 367	1 936 560
Skills Development Levy	1 586 484	2 558 303
Fuel and oil	3 635 915	3 845 559
Hire	1 781 873	1 886 221
License fee	183 019	322 250
Outsourced services	1 219 603	16 908 742
Postage and courier	3 894	-
Protective clothing	1 446 521	328 912
Software expenses	891 621	9 213 442
Staff welfare	-	27 724
Subscriptions and membership fees	53 222	1 263 418
Telephone and fax	2 895 989	1 907 656
Travel – local	2 236 491	440 367
	<b>47 435 751</b>	<b>52 670 040</b>
<b>33. Fair value adjustments</b>		
Other financial assets		
• Other financial assets (designated through profit and loss)	361 319	157 738
<b>34. Actuarial gains/(losses)</b>		
Employee benefit obligation gains/(losses)	11 925 089	6 490 932
The actuarial gains/(losses) is based on the actuarial valuation performed to determine the retirement benefit liability balance as at 30 June.		
<b>35. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	6 751 742	76 236 821
The municipality applied GRAP21 on its property, plant and equipment. The value of use was calculated for each asset in use after a detailed condition assessment was performed by an accredited engineer. Where the value in use was lower than the carrying value, the asset was impaired.		
<b>36. Auditors' remuneration</b>		
Auditor-General of South Africa	7 177 423	4 930 989
<b>37. Cash generated from operations</b>		
Deficit	(153 854 066)	(7 036 839)
<b>Adjustments for:</b>		
Depreciation and amortization	42 321 392	41 855 794
Gain on sale of assets and liabilities	168 196	2 194 441
Fair value adjustments	(361 319)	(157 738)

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>37. Cash generated from operations (continued)</b>		
Impairment deficit	6 751 742	76 236 821
Finance costs	-	779 377
Movements in retirement benefit assets and liabilities	(1 564 000)	430 999
Movements in provisions	1 154 750	(9 973 527)
Property, plant and equipment - non-cash movement	(169 687)	16 051 344
<b>Changes in working capital:</b>		
Inventories	(634 097)	828 166
Receivables from exchange transactions	82 645 151	(151 955 310)
Receivables from non-exchange transactions	(20 820 236)	(3 512 408)
Payables from exchange transactions	98 677 766	27 413 749
VAT	(2 051 062)	(569 437)
Unspent conditional grants and receipts	(8 599 465)	20 477 513
Consumer deposits	-	1 064 426
	<b>43 665 065</b>	<b>14 127 371</b>

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

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### 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.

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

#### At 30 June 2024

	Less than a year	Over a year
Trade and other payables	560 160 973	-
Other financial liabilities	10 187 772	-

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

At 30 June 2023

## Notes to the Annual Financial Statements

Less than a year      Over a year

---

Trade and other payables

436 032 630

Other financial liabilities

9 334 972

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

---

figures in Rand

2024

2023

---

### 38. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

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

Financial instrument	2024	2023
Receivables from exchange transactions	205 254 809	287 254 127
Receivables from non-exchange transactions	37 105 327	16 285 091
Bank balances	18 420 436	1 180 100

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued. Refer to note 8 for additional details.

### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk is deferred that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result in market interest changes.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months. The current Interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

#### Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 39. Financial instruments disclosure

#### Categories of financial instruments

#### 2024

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 608 954	62 695	1 671 649
Trade and other receivables from exchange transactions	-	205 254 810	205 254 810
Other receivables from non-exchange transactions	-	37 105 327	37 105 327
Cash and cash equivalents	-	18 420 436	18 420 436
	<b>1 608 954</b>	<b>260 843 268</b>	<b>262 452 222</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	10 187 772	10 187 772
Trade and other payables from exchange transactions	547 991 665	547 991 665
Unspent conditional grants and receipts	26 607 497	26 607 497
Consumer deposits	1 677 747	1 677 747
	<b>586 464 681</b>	<b>586 464 681</b>

#### 2023

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	1 248 394	61 936	1 310 330
Trade and other receivables from exchange transactions	-	287 254 127	287 254 127
Trade and other receivables from non-exchange transactions	-	16 285 091	16 285 091
Cash and cash equivalents	-	1 180 100	1 180 000
	<b>1 248 394</b>	<b>304 781 254</b>	<b>306 029 648</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	9 334 972	9 334 972
Trade and other payables from exchange transactions	446 289 451	446 289 451
Unspent conditional grants and receipts	35 206 962	35 206 962
Consumer deposits	1 641 196	1 641 196
Bank overdraft	1 764 327	1 764 327
	<b>494 236 908</b>	<b>494 236 908</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	19 726 811	36 477 602
<b>Total capital commitments</b>		
Already contracted for but not provided for	19 726 811	36 477 602

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.

## 41. Contingencies

### The following contingent liabilities were identified:

1.Westrand Consulting // Mantsopa L.M is suing the municipality for the services rendered for compilation of AFS and Fixed Asset Register. The urgent application was withdrawn but litigation continues	8 037 064	8 037 064
2.Bakgatla (Pty) Ltd // Mantsopa Local Municipality Summons were issued against the municipality for breach of cession agreement. The municipality is defending the matter.	3 195 824	-
3.Makeke TP // Mantsopa Local Municipality Summons issued against the municipality for water seepage on the applicants property.	-	165 731
4.Lovedale // Mantsopa Local Municipality Summons were issued against the municipality for water services..	-	3 956 538
5.JA Greyling // Mantsopa Local Municipality On the 23 November 2024 the Summons were issued against the municipality.	13 064	
6.SAMWU OBO TSEKO & OTHERS // MANTSOPA L.M Review application at the Labour Court. The matter deals with dispute in relations to the interpretation of shift allowance as per Free State collective agreement. The matter was scheduled for 28 June 2024, awaiting for judgement of Johannesburg Labour Court.	1 500 000	1 500 000
7.SAMWU OBO MOHLOKI // MANTSOPA L.M Unfair Labour practice. The applicant lodged an application for unfair labour practice with the SALBC for non-payment of Shift Allowance. The review application is still	8 707	-

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

pending at the Johannesburg Labour Court. 8.SAMWU OBO TSEISE // MANSOPA L.M	44 527	-
Unfair Labour Practice. The applicant lodged an application for unfair labour practice with the SALGBC for non-payment of S & T allowance. The municipality is reviewing the matter and we still await the case. 9.IMATU OBO NTSEPE // MANTSOPA L.M	-	-
The applicant lodged an application for unfair labour practice with the SALGBC for non-payment of short payment of her acting allowance. The arbitration matter is scheduled for the 17th of July 2024		
10. RC Ishmail // Mantsopa LM	-	64 665
Summons were issued against the municipality.		
11. SAMWU OBO NTHAKO // MANTSOPA LM	-	410 031
Summons were issued against the municipality.		
12. Justice Machakela // Mantsopa LM	-	32 373
Summons issued against the municipality.		
13. Lovedale // Mantsopa LM	-	156 574
Summons were issued against the municipality.		
14. SAMWU OBO NHLAPO & OTHERS // MANTSOPA LM	1 000 000	1 000 000
Unfair labour practice matter was lodged with SALGBC for unfair labour practice regarding Level adjustmentr from 7/1 to 5/4. Trail was held and initial application dismissed. The review application was heard in January 2024 but still awaiting outcome.		
15. SAMWU OBO TSEISE // MANTSOPA L.M.	200 000	
16. TSAKANI MALULEKE (AGSA)// MANTSOPA L.M. Rampai Attorneys	10 500 000	
17. SAMWU OBO NTHAKO// MANTSOPA L.M. Rampai Attorneys	86 134	
18. INZALO EMS (PTY) LTD // MANTSOPA LOCAL MUNICIPALITY		4 779 893
19. Rantoa Service Providers // Mantsopa LM Matlho Attorneys	500 000	
20. Thabo Makhekhe // Mantsopa LM	750 000	
21.WESTRAND Consult (Case no. 4728/2022) // Mantsopa LM	8 500 000	
22. State // Sello Nyapholi (Former CFO of MLM)	150 000	
<b>Total</b>	<b>34 485 320</b>	<b>20 102 868</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>41. Contingencies (continued)</b>		
<b>The following contingent assets were identified:</b>		
Nomano Trading Double payment was made to the service provider. Matter is pending before the High Court.	-	2 000 000
Seleke and Phirime Three transactions were made on the 24th of December 2020, which collectively amount to R 1.9 million. The HAWKS recovered R1.5 million and paid over to the municipality The remainder of R400 thousand was traced by the HAWKS but could not be recovered, However the perpetrators were arrested	400 000	900 000
INZALO EMS (PTY) LTD // MANTSOPA LOCAL MUNICIPALITY Matter has been defended and payment agreements are being arranged. The municipality instructed its attorneys to file a counter-claim.	7 561 796	-
	<b>7 961 796</b>	<b>2 900 000</b>

## 42. Related parties

Relationships  
Accounting Officer M Mogopodi  
Key Management Refer to note 25

### Remuneration of management

#### Management class: Councillors

#### 2024

Name	Basic Salary	Allowance	Contributions	Total
ME Tsoene (Mayor)	671 878	254 629	102 195	1 028 702
ME Ncwada (Speaker)	617 673	147 703	42 282	807 658
KI Tigeli	276 037	119 017	72 331	467 386
DT Molefe	264 335	104 400	74 860	443 595
BM Sani	215 522	52 471	86 407	354 400
T Halse	126 333	14 800	16 130	157 263
DJ Hattingsh	554 824	139 857	27 209	721 890
RT Mpakathe	275 709	130 457	28 774	434 940
SJ Nkiane	202 720	121 132	27 209	351 061
MR Mokotjo	169 905	25 900	1 240	197 045
KS Tsimatsima	301 929	44 400	-	346 329
MA Lethoko	295 375	120 072	20 100	435 547
CL Boucher	136 916	60 550	9 002	206 468
KS Motsoane	387 475	44 400	-	431 875
SM Visagie	231 729	25 900	-	257 629
AJ Lemphane	295 375	127 670	20 100	443 145
TE Mutsi	345 011	44 400	42 464	431 875
SJ Machakele	328 615	123 329	-	451 944
KD Rantsonyane	107 752	14 800	-	122 552
Van Wyk	112 065	42 566	-	154 631
MR Tladi-Pharoe	121 361	18 500	-	139 861
MR Masilo	97 089	14 800	-	111 889
	<b>6 135 628</b>	<b>1 791 753</b>	<b>570 303</b>	<b>8 497 685</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 42. Related parties (continued)

#### 2023

Name	Basic Salary	Allowance	Contributions	Total
ME Tsoene	730 659	222 300	44 883	997 842
ME Ncwada	617 214	145 603	6 394	769 211
KI Tigeli	393 376	143 005	21 106	557 487
DT Molefe	321 087	102 300	8 195	431 582
BM Sani	290 507	42 300	14 263	347 070
T Halse	381 205	42 300	4 405	427 910
DJ Hattingh	216 395	114 300	46 513	377 208
RT Mpakathe	228 395	102 300	23 929	354 624
SJ Nkiane	213 671	114 300	22 411	350 382
DA Masakala	26 414	3 101	223	29 738
KS Tsimatsima	280 127	42 300	2 609	325 036
MA Lethoko	294 526	114 300	17 477	426 303
CL Bouwer	226 657	101 700	2 647	331 004
KS Motsokane	347 229	42 300	3 683	393 212
SM Visagie	367 400	42 300	16 471	426 171
AJ Lemphane	412 160	-	-	412 160
TE Mutsi	409 331	-	-	409 331
SJ Machakele	423 333	-	-	423 333
KD Rantsonyane	298 826	-	-	298 826
	<b>6 478 512</b>	<b>1 374 709</b>	<b>235 209</b>	<b>8 088 430</b>

### 43. Unauthorised expenditure

Opening balance as previously reported	343 311 797	308 104 835
<b>Opening balance as restated</b>	<b>343 311 797</b>	<b>308 104 835</b>
Add: Expenditure identified - current	8 187 061	35 206 962
Less : Written off by council - 2020/2021 year	(182 819 770)	-
Less: Written off by council - 2021/2022 year	(121 340 728)	-
Less : Written off by council - 2022/2023 year	(35 206 962)	-
<b>Closing balance</b>	<b>12 131 398</b>	<b>343 311 797</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>44. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	35 954 543	18 871 805
<b>Opening balance as restated</b>	<b>35 954 543</b>	<b>18 871 805</b>
Add: Expenditure identified – current	28 193 397	17 082 738
Less: Written off by council - 2020/2021 year	(6 035 950)	-
Less: Written off by council - 2021/2022 year	(9 490 035)	-
Less: Written off by council - 2022/2023 year	(17 082 662)	-
<b>Closing balance</b>	<b>31 539 293</b>	<b>35 954 543</b>

Fruitless and wasteful expenditure is presented inclusive of VAT.

The fruitless and wasteful expenditure incurred during the year was for interest raised by Eskom, SARS, DBSA, pension funds and other service providers for non-payments. The cash flow challenges faced by the municipality was the root cause for failure to settle the debts within the prescribed period as per Section 65 of the MFMA,

**Expenditure identified in the current year include those listed below:**

	<b>Disciplinary steps taken/criminal proceedings</b>		
Interest on overdue creditors	Council to condone expenditure	27 631 655	17 082 738

### Amounts written-off

#### 45. Irregular expenditure

Opening balance as previously reported	19 660 139	14 636 414
<b>Opening balance as restated</b>	<b>19 660 139</b>	<b>14 636 414</b>
Add: Irregular Expenditure - current	2 585 075	2 450
Add: Irregular Expenditure - Identified during audit	3 868 573	5 018 825
Less: Write off by council - 2020/2021 year	(8 632 384)	-
Less: Write off by council - 2021/2022 year	(5 054 001)	-
Less: Write off by council - 2022/2023 year	(5 021 275)	-
<b>Closing balance</b>	<b>7 406 127</b>	<b>19 660 139</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>45. Irregular expenditure (continued)</b>		
<b>Incidents/cases identified in the current year include those listed below:</b>		
SCM Processes were not followed to the latter	173 155	2 450
Invalid Deviations from SCM Requirements	70 742	-
SCM-Compliance Deviations from Quotations and Competitive Bidding	3 868 573	3 951 182
Process-Emergencies	2 149 815	-
Sole Provider	125 200	268 787
Impracticability	62 663	199 960
Three quotations not obtained & Deviations not reasonable	-	216 761
No CSD Reports provided for winning Bidder	3 500	29 300
Deviations from competitive Bidding Process-Emergencies & Completeness of Deviation Register	-	352 835
	<b>6 453 648</b>	<b>5 021 275</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 46. Prior-year adjustments

#### Statement of financial position

##### 2023

	As previously reported	Movement	Restated
Assets	-	-	-
Current Assets	-	-	-
Inventories	3 403 617	(31 513)	3 372 104
Other Financial Assets	6 516	-	6 516
Receivables from exchange transactions	216 805 676	70 381 189	287 186 865
Receivables from non-exchange transactions	9 761 037	6 524 053	16 285 090
VAT receivable	34 596 205	92 962	34 689 167
Cash and cash equivalents	<u>562 561</u>	2 594 827	<u>3 157 388</u>
	<u>265 135 612</u>	-	<u>341 291 381</u>
<b>Non-Current Assets</b>			
Investment property	85 547 592	(147 662)	85 399 930
Property, plant and equipment	778 936 243	313 309	779 249 552
Intangible assets	30 000	(30 000)	-
Other financial assets	1 456 556	-	1 456 556
	<u>865 970 391</u>	-	<u>865 451 414</u>
Total Assets	<u>1 131 106 003</u>	-	<u>1 206 712 795</u>
Liabilities	-	-	-
Current Liabilities	-	-	-
Other financial liabilities	(9 334 972)	-	(9 334 972)
Payables from exchange transactions	(436 032 630)	(10 256 821)	(446 289 451)
Employee benefit obligation	(2 609 242)	968 046	(1 641 196)
Unspent conditional grants	(35 206 962)	-	(35 206 962)
Consumer deposits	(2 609 242)	-	(2 609 242)
Bank overdraft	<u>(4 759 329)</u>	-	<u>(4 759 329)</u>
	<u>489 588 135</u>	-	<u>499 650 154</u>
Non-Current Liabilities	-	-	-
Employee benefit obligation	(38 924 000)	-	(38 924 000)
Provisions	(41 852 707)	-	(41 852 707)
	(80 776 707)	-	(80 776 707)
Total Liabilities	<u>(570 364 842)</u>	-	<u>(570 364 842)</u>
Net Assets	<u>(560 741 161)</u>	-	<u>(628 847 875)</u>
Accumulated surplus	<u>(560 741 160)</u>	(70 475 649)	<u>(631 216 809)</u>
Total Net Assets	<u>(560 741 160)</u>	-	<u>(631 216 809)</u>

#### Statement of financial performance

##### 2023

	As previously reported	Movement	Restated
Revenue	-	-	-
Revenue from exchange transactions	-	-	-
Service Charges	(144 647 327)	-	(144 647 327)
Rental of facilities and equipment	(9 860)	-	(9 860)
Interest received from outstading debtors	(61 484 468)	-	(61 484 468)
Interest received from external investments	(45 844)	-	(45 844)
Debt impairment	(21 919 302)	-	(21 919 302)
Postage ad courier	(65 523)	-	(65 523)
Other income	(727 930)	-	(727 930)
Dividends received	<u>(46 256)</u>	-	<u>(46 256)</u>
Total revenue from exchange transactions	<u>(228 946 510)</u>	-	<u>(229 060 551)</u>
Revenue from non-exchange transactions	-	-	-

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Prior-year adjustments (continued)</b>		
Taxation revenue	-	-
Property rates	(20 193 577)	(20 193 577)
Interest received from outstanding debtors	(3 448 365)	(3 448 365)
Transfer revenue	-	-
Government grants and subsidies	(121 816 487)	(121 816 487)
Fines, Penalties, and Forfeits	<u>(270 586)</u>	<u>(270 586)</u>
Total revenue from non-exchange transactions	<u>(145 729 014)</u>	<u>(145 729 014)</u>
Total revenue	<u>(374 675 525)</u>	<u>(374 789 565)</u>
Expenditure	-	-
Employee related costs	117 743 132	(2 154 285) 115 588 847
Remuneration of councillors	8 088 430	44 420 8 132 850
Depreciation and amortisation	41 841 390	14 407 41 855 797
Finance costs	21 030 781	- 21 030 781
Debt impairment	2 670 169	- 2 670 169
Repairs and maintenance	10 547 889	(233 728) 10 314 161
Bulk purchases	58 116 338	- 58 116 338
General expenses	<u>49 891 643</u>	2 778 397 <u>52 670 040</u>
Total expenditure	<u>309 329 772</u>	<u>310 378 983</u>
Operating surplus (deficit)	(64 745 753)	- (64 410 582)
Loss on disposal of assets and liabilities	2 194 441	168 196 2 362 637
Fair value adjustments	(157 738)	- (157 738)
Actuarial gains/losses	(6 490 932)	- (6 490 932)
Impairment reversals/(losses)	<u>76 236 821</u>	<u>76 236 821</u>
	<u>71 782 592</u>	<u>71 950 788</u>
Deficit for the year	<u>7 036 839</u>	<u>7 540 206</u>

### Disclosures

#### Errors

##### Disposal of Avanza Vehicle (HDD597FS)(Journal 1)

During the preparation of the 2024 annual financial statements, it was discovered that a vehicle, specifically an Avanza with registration number HDD597FS, was lost and subsequently claimed through insurance in the 2023 financial year. However, the disposal of this vehicle was not accounted for in the 2023 financial records. This resulted in an overstatement of non-current assets (vehicles) and accumulated depreciation in the previous year's financial statements.

To correct this error, the cost of the vehicle, amounting to R182,025.71, has been removed from the balance sheet, and the related accumulated depreciation of R129,608.38 has been adjusted accordingly. An impairment of R31,883.55 was also recognized. The final effect of the correction resulted in a R20,533.78 loss, which has been reflected in the income statement for 2023.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 46. Prior-year adjustments (continued)

#### **Dispose Illegal occupation of municipal Investment Property** (Journal 2)

During the preparation of the 2024 annual financial statements, it was identified that an investment property, which had been sold during the 2023 financial year, was erroneously classified as an asset on the balance sheet as of the end of that year. This error occurred due to the disposal not being properly accounted for, resulting in the overstatement of both the investment property and retained earnings in the 2023 financial statements.

The effect of the adjustment is as follows:

Loss on sale of investment property: R147,662

#### **Recognition of Infrastructure Assets Procured from Repairs and Maintenance (R&M)**(Journal 3)

During the preparation of the 2024 annual financial statements, it was discovered that certain infrastructure assets procured in the prior period (2023) were incorrectly classified under Repairs and Maintenance expenses, instead of being capitalized as Property, Plant, and Equipment (PPE). This misclassification resulted in an understatement of assets and depreciation, as well as an overstatement of repairs and maintenance expenses in the 2023 financial statements.

To correct this error, the infrastructure assets, valued at R233,728.00, have been capitalized under Infrastructure – Electrical on the balance sheet. Additionally, the corresponding Repairs and Maintenance expense has been reduced by the same amount, reflecting the correct treatment of these expenditures as capital investments rather than operating costs. Depreciation on the asset amounting to R4,294.52 has been recognized for 2023, and the accumulated depreciation has been adjusted accordingly.

#### **Understatement of General Expenditure** (Journal 4)

During the preparation of the 2024 annual financial statements, it was identified that general expenses were understated by R65,523 in the 2023 financial year due to an accounting error. This understatement led to an overstatement of the accumulated surplus in the 2023 financial statements.

This adjustment is material and has been applied retrospectively to ensure that the financial statements are accurate and comparable across periods. The necessary disclosures have been updated in the 2024 financial statements to reflect these corrections.

#### **Recognition of Movable Asset Additions Not Recorded on FAR** (Journal 5 & 6)

During the preparation of the 2024 annual financial statements, it was identified that certain movable asset additions, specifically computer equipment and furniture and office equipment procured in the 2023 financial year, were not recorded in the Fixed Asset Register (FAR). This resulted in an understatement of assets and depreciation for the 2023 financial period.

To correct this error, the following adjustments have been made:

Computer Equipment, valued at R103,921.42, has been added to the asset register.

Furniture and Office Equipment, valued at R10,600.00, has also been added to the asset register.

Additionally, depreciation has been recognized for these assets as follows:

Depreciation on Computer Equipment: R10,109.51 for 2023.

Depreciation on Furniture and Office Equipment: R2.90 for 2023.

The accumulated depreciation has been updated to reflect these amounts. The total depreciation for these assets is R10,112.41. Additional text

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 46. Prior-year adjustments (continued)

#### **Inventory Overstatement** (Journal 7)

During the preparation of the financial statements for the year ended 30 June 2024, it was identified that inventory had been overstated by R31,513.10 in the financial period ended 30 June 2023. This error arose from incorrect recording of inventory purchases at year-end, resulting in an overstatement of the inventory balance.

Impact on Financial Statements:

The correction has been applied retrospectively, and the prior period financial statements for the year ended 30 June 2023 have been restated as follows:

Decrease in Inventory: R31,513.10.

Decrease in Retained Earnings: R31,513.10.

#### **Centlec - Debtors overstated** (Journal 8)

In the financial year ended 30 June 2022, an error was identified relating to the misclassification of debtors from the Centlec account to the electricity account. This error resulted in an understatement of debtors and an overstatement of electricity revenue. The error has been corrected by restating the opening balances as of 1 July 2022, increasing the Centlec debtors account by R22 381 363 and decreasing the electricity revenue account by the same amount."Additional text

#### **Correction of Investment Account Balances Based on Bank Confirmations** (Journal 9)

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 46. Prior-year adjustments (continued)

During the preparation of the 2024 financial statements, it was identified that there were discrepancies in the open balances of certain investment accounts, based on confirmation received from investment banks. These discrepancies have resulted in the need to correct the opening balances and associated charges, deposits, and earnings from the 2023 financial year. The total adjustment to correct the error is R514,215.58, reflecting an overall adjustment to the accumulated surplus.

The correction has been applied retrospectively, and the financial statements for the year ended 30 June 2023 have been restated as follows:

Adjustments to Cash and Cash Equivalents: Various call deposit accounts, including accounts held with ABSA and Standard Bank, have been adjusted based on the corrected balances and bank confirmations. Specific adjustments include:

- Charges totaling R16,404.28 across several ABSA accounts.
- Deposits adjustments of R542,017.94 for certain ABSA accounts.
- An adjustment for interest earned of R149,375.46 on Nedbank deposits.

Accumulated Surplus Adjusted: A correction to the accumulated surplus for prior period errors has resulted in an increase of R514,215.58.

Revenue Adjustments: A correction of R114,040.50 was made for interest income on short-term investments and call accounts.

### Open Balance Consumer Deposits According to Register (Journal 10)

During the preparation of the financial statements for the year ended 30 June 2024, a discrepancy was identified in the opening balance of consumer deposits, specifically related to water services, based on the consumer deposit register. The opening balance for consumer deposits was understated by R387,375.05, and this error has been corrected retrospectively.

### Revenue Section Adjustments for Services (Journal 11)

During the preparation of the 2024 financial statements, it was identified that several revenue-related balances were misstated due to errors in the recording of receivables from service debtors and property rates. These errors have been corrected retrospectively, in accordance with applicable accounting standards, to accurately reflect the organization's financial position.

Nature of the Error:

The error resulted from incorrect opening balances for several service-related debtors, including electricity, water, waste management, and property rental debtors. Additionally, there were corrections required for property rates related to residential properties, as well as other service-related income categories such as merchandising, jobbing, and contracts. The corrections have been made to the respective receivables accounts and accumulated surplus.

The correction has been applied retrospectively, and the financial statements for the year ended 30 June 2023 have been restated as follows:

Increase in Receivables:

- Property Rates (Residential Properties): R47,814,268.56.
- Electricity Debtors (Opening Balance): R532,047.56.
- Merchandising, Jobbing, and Contracts Debtors: R2,779,530.40.
- Property Rental Debtors: R15,767,205.74.
- Waste Management Debtors: R20,371,583.17.
- Waste Water Management Debtors: R29,226,160.12.
- Water Debtors (Opening Balance): R24,220,548.64.

Other Adjustments:

- Input Tax Accrual Recognised: R8.23.
- Maintenance of Equipment (Expenditure): R54.86.

Reduction in Liabilities:

- Trade Creditors Accruals: R63.09.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 46. Prior-year adjustments (continued)

Adjustment to Accumulated Surplus:

A reduction of R140,711,344.19 was made to accumulated surplus as part of the correction of prior period errors.

#### Adjustments to Revenue for Prior Period (Journal 12)

During the preparation of the financial statements for the year ended 30 June 2024, further adjustments were identified related to the revenue recognized in the prior financial year. These adjustments pertain to the correction of property rates receivables, VAT receivables, and liabilities related to trade and other payables, including inventory consumed. The errors arose due to incorrect balances recorded in the financial statements for the year ended 30 June 2023, particularly in the treatment of property rates and trade creditor accruals.

Nature of the Error:

The errors were primarily related to the incorrect recording of property rates receivables across different categories (agricultural, business, industrial, and public service purposes properties), incorrect VAT accruals, and discrepancies in liabilities for trade creditors and advance payments. These adjustments were necessary to align the financial records with accurate account balances and ensure compliance with applicable accounting standards.

Impact on Financial Statements:

The correction has been applied retrospectively, and the financial statements for the year ended 30 June 2023 have been restated as follows:

Decrease in Receivables:

Property rates receivables related to:

Agricultural Properties: R1,474,192.14.

Business and Commercial Properties: R38,039,776.19.

Industrial Properties: R252,458.53.

Public Service Properties: R1,521,403.46.

Increase in VAT Receivable:

An additional VAT input accrual was recognized for R6,996.00 and R78,955.47 respectively.

Increase in Inventory Consumed:

Adjustments were made for materials and supplies, increasing the inventory consumed by R526,369.80 and R46,640.00.

Decrease in Liabilities:

Trade and other payable liabilities were reduced by:

Advance Payments: R9,603,566.74.

Trade Creditors Accruals: R53,636.00 and R605,325.27 respectively.

Adjustment to Accumulated Surplus/Deficit:

The net impact of these corrections resulted in an adjustment of R50,891,397.06 to the accumulated surplus/deficit.

#### Consumer Deposits Open Balance Adjustments (journal 13 - 17)

During the preparation of the financial statements for the year ended 30 June 2024, discrepancies were identified in the opening balances of consumer deposits for electricity and water services. These discrepancies arose from the incorrect recording of consumer deposit balances in prior financial periods. The errors have been corrected retrospectively in accordance with the applicable accounting standards, ensuring the accuracy of the financial statements.

Nature of the Error:

The error occurred due to the incorrect opening balances of consumer deposits for electricity and water services, leading to an overstatement or understatement of liabilities. The consumer deposits were not correctly reflected in the prior period financial records, resulting in the need for retrospective correction.

Impact on Financial Statements:

The correction has been applied retrospectively, and the financial statements for the year ended 30 June 2023 have been restated as follows:

Correction of Consumer Deposits (Electricity):

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand 2024                      2023

---

### 46. Prior-year adjustments (continued)

Correction Amount: R1,356,637.09.

The consumer deposits for electricity services were adjusted to reflect the correct opening balance in accordance with the register.

Correction of Consumer Deposits (Water):

Correction Amount: R387,375.05 and R388,591.05 (separate adjustments).

The consumer deposits for water services were adjusted to align with the register, correcting prior period errors.

Impact on Liabilities:

The liabilities related to consumer deposits have been increased or reduced based on the corrected amounts, ensuring that the opening balances match the actual deposits held according to the consumer deposit register.

Adjustment to Accumulated Surplus/Deficit:

Adjustment of Accumulated Surplus/Deficit: R1,356,637.09, R387,375.05, and R388,591.05.

The accumulated surplus/deficit has been adjusted to account for the changes in consumer deposit balances, reflecting the corrections of prior period errors.

### Misclassification of Intangible Asset as License Fees (Journal 18)

During the preparation of the financial statements for the year ended 30 June 2024, it was identified that an intangible asset had been incorrectly classified as a non-current intangible asset. This asset should have been recorded as License Fees.

The value of the misclassified asset was R30,000.00.

Nature of the Error:

### 47. Additional disclosure in terms of MFMA

#### Contributions to organised local government

Opening balance	5 732 429	4 478 728
Current year subscription / fee	1 312 080	1 255 701
Amount paid - current year	(751 594)	(2 000)
	<u>6 292 915</u>	<u>5 732 429</u>

#### Audit fees

Opening balance	10 397 231	10 812 356
Current year subscription / fee	8 191 990	5 671 637
Amount paid – interest incurred	1 481 053	1 019 695
Amount paid – current year	(9 686 349)	(7 106 457)
	<u>10 383 924</u>	<u>10 397 231</u>

#### PAYE, UIF and SDL

Opening balance	1 024 712	5 694 941
Current year subscription / fee	16 361 492	16 493 927
Amount paid - current year	(17 842 859)	(13 774 423)
Amount paid - current year	-	(5 694 941)

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>47. Additional disclosure in terms of MFMA (continued)</b>		
Amount paid - previous years	1 439 309	(1 694 792)
	<b>982 654</b>	<b>1 024 712</b>
<b>Pension and medical aid deductions</b>		
Opening balance	5 215 930	7 159 188
Current year subscription / fee	21 749 229	32 948 675
Amount paid - current year	(30 673 018)	(34 891 933)
	<b>(3 707 859)</b>	<b>5 215 930</b>
<b>VAT</b>		
VAT receivable	36 740 228	34 689 166

All VAT returns have been submitted to SARS.

### Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at **30 June 2024**:

<b>30 June 2024</b>	Outstanding less than 90 Days R	Outstanding more than 90 days R	Total R
ME Tsoene	(162)	-	(162)
ME Ncwada	(12 553)	115 029	102 476
R T Mpakathi	695	-	695
KT Selina	(2 390)	(4 414)	(6 804)
P Molefe	(1 052)	(16 850)	(17 902)
KI Tigeli	(1 580)	(3 600)	(5 180)
MS Jacob	2 694	78 370	81 064
J Lemphane	28 497	-	28 497
DJ Hattingh	3 514	27 524	31 038
KM stanford	2 345	23 695	26 040
T E Mutsi	24 008	102 465	126 473
BM Sani	2 659	16 836	19 495
LM Alphons	415	-	415
DA Masakala	2 641	29 326	31 967
	<b>49 731</b>	<b>368 381</b>	<b>418 112</b>

<b>30 June 2023</b>	Outstanding less than 90 Days R	Outstanding more than 90 days R	Total R
T Halse	1 904	3 634	5 538
DJ Hatting	2 797	14 534	17 331
AJ Lemphane	15 326	9 962	25 288
ME Lisanyane	3 168	87 762	90 930
MJ Mabope	2 574	38 217	40 791
MM Masakal	2 241	19 220	21 461
MS Motsoane	3 576	29 113	32 689
DM Motsoere	2 301	75 666	77 967
ME Ncwada	5 536	129 944	135 480
ST Nkiane	978	-	978
M Sani	1 980	8 856	10 836
ML Tsimatsima	1 482	3 481	4 963

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>47. Additional disclosure in terms of MFMA (continued)</b>		
KJ Tsoene	1 938	5 671
	<b>45 801</b>	<b>426 060</b>
		<b>471 861</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
--	------	------

### 48. Deviation from supply chain management regulations

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

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

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

#### Incident

Emergency	3 447 757	4 972 095
Sole supplier	297 069	76 494
Three quotations not obtained	-	177 910
Impractical to follow procurement processes	2 118 268	6 994 998
	100 015	288 178
	<b>5 963 109</b>	<b>12 509 675</b>

### 49. Events after the reporting date

High Court ruling on approval of tariffs for electricity distributors:

On 17 November 2023 The National Energy Regulator of South Africa (NERSA) notified municipalities that NERSA's approach of using benchmarking and guidelines has been reviewed, set aside, and declared unlawful by the High Court in the Nelson Mandela Bay Chamber of Business and others. The judgment allowed NERSA to revise the Municipal Tariff Guideline to make it compliant with section 15 of the Electricity Regulation Act. The above judgment was delivered when NERSA, SALGA and Sustainable Energy Africa made available to all municipal licensees a simplified cost of supply (COS) tool. This simplified tool shows a link between the required revenue and the cost associated with supplying a category of customers, the classification of costs between fixed and variable, and energy-related, demand-related, and customer related costs.

However, after this notice, Afriforum submitted that NERSA deviated from the good path. In a notice dated 29 January 2024. The court judgement was delivered on 8 July 2024, which is after the reporting date. Part of the judgement states that " For the 2024/2025 municipal financial year, the first respondent shall consider and, if they are legally compliant, approve such electricity tariff applications by municipalities as are based on the municipalities' cost of supply studies timeously submitted by the Notice to Municipal Licenced Electricity Distributers, 17 November 2023 (Annexure "FA7" to the Founding Affidavit)." 66 municipalities were considered to be non-compliant. Mantsopa Local Municipality was initially non-compliant but became compliant within 60 days that was granted by the High Court after submission of the cost of supply study.

This is a non-adjusting event for the municipality and there is no financial impact as the municipality is now compliant.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

---

### 50. Fraud

In December 2020, the municipal IT infrastructure was breached, leading to the manipulation of supplier statements and the execution of fraudulent transactions and payments to an unidentified third party. The case was concluded in 2023/24, and the municipality received R1.5, which was deposited into its bank account by the SAPS special investigative units. Nonetheless, the remaining R400,000 has yet to be recovered, although the perpetrators have been apprehended and incarcerated; hence, the case remains ongoing.

### 51. Budget differences

**Material differences between budget and actual amounts**

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 51. Budget differences (continued)

Material Variances (Differences > 10%)

#### 1. 69% - Interest on Receivables

Interest on receivables was adjusted downward due to the anticipation of writing off accounts that are not collectible or irrecoverable.

#### 2. 493% - Traffic Fines

Traffic fines issued were not collected from the provincial Traffic Department, and follow-ups on fines issued to the magistrate court were insufficient.

#### 3. 59% - Miscellaneous Sales (Non-Exchange Transactions)

More sales from non-exchange miscellaneous transactions (e.g., tender documents, grave sales, valuation roll certificates, etc.) were anticipated.

#### 4. 31% - Rental Income

The municipality leased out its properties (flats and other fixed properties) at market-related rental rates, resulting in more rental income than expected.

#### 5. 13% - Changes to Property Valuation

The variance is a result of corrections made to properties during the implementation of supplementary valuation.

#### 6. 63% - Grants (Equitable Share)

Grants were budgeted as per DORA, but the unspent portion from the prior year was withheld and offset against the equitable share.

#### 7. 27% - Outsourced Services

The municipality acquired more services from consultants and service providers, leading to a higher expenditure on outsourced services.

#### 8. 44% - Interest on DBSA Loan

Interest charges on the DBSA finance loan were adjusted downward due to the anticipation that the debt would be ring-fenced as the loan was expected to be serviced.

#### 9. 429% - Doubtful Debts Assumption

The assumption for doubtful debts was based on a collection rate of 70%. Management anticipated writing off some of these debts, and the provision for write-off expenditure was budgeted accordingly.

#### 10. 23% - Councillors' Remuneration

The budget for councillors' remuneration is based on upper limits, resulting in higher actual expenditure.

#### 11. 61% - Re-measurement of Fair Value of Assets

This variance is due to the re-measurement of the fair value of assets, which was not anticipated in the budget.

#### 12. 55% - Impairment of Doubtful Debts

The variance occurred because the budget only accounted for the net of allowance for the impairment of doubtful debts.

#### 13. 65% - Intangible Assets

Intangible assets previously recognized were found to be incorrectly classified and did not meet the definition of intangible assets, leading to corrections.

#### 14. 32% - Correction of Prior Year Errors

The variance arose from corrections made to the prior year's errors on the Fixed Asset Register (FAR) and opening balances.

#### 15. 105% - Unspent Grants

The municipality typically does not budget for unspent grants. However, once unanticipated incomplete multi-year projects were identified, planned rollovers and unspent funds were cash-backed in the following financial year.

#### 16. 22% - Corrections of Prior Year Misstatements

The variance is due to movements arising from the correction of prior year misstatements.

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
-----------------	------	------

### 51. Budget differences (continued)

#### 17. 213% - Corrections of Prior Year Misstatements

Similar to the 22% variance, this is due to movements resulting from corrections of prior year misstatements.

Figures in Rand	2024	2023
-----------------	------	------

### 52. Segment information

#### General information

##### Identification of segments

Refer below for the segments identified by the municipality. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

##### Geographical considerations:

The municipality's operations are in the Free State Province, its major geographical areas within the province are Ladybrand, Hobhouse, Excelsior and Twee spruit. Management has as per the GRAP standards decided to report on Mantsopa as a single geographical area. Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although five towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

##### Types of goods and/or services by segment:

##### Reportable segment

Community services

Corporate services

Executive and Council services

Finance services

Municipal Manager services

Technical services

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Revenue	Community Services	Corporate Services	Executive & Council	Finance Services	Municipal Manager	Technical Services	Grand Total
<b>Exchange Revenue</b>	(1 169 614)	(72 136)		(96 584 893)		(122 572 824)	(220 399 466)
Interest: Dividend and Rent on Land	(2 015 021)	(2 068)		(73 456 97)			(75 473 786)
Licences or Permits				(19 198)			(19 198)
Operational Revenue	-	-		(106 888)		(100 703)	(207 591)
Rental from Fixed Assets	(1 573 475)						(1 573 475)
Sales of Goods and Rendering of Services	(229 347)	(70 068)		(460 545)		(6 752)	(766 712)
Service Charges	2 648 229			(22 541 564)		(122 465 370)	(142 358 705)
<b>Non-exchange Revenue</b>	(9 646 412)	-	-	130 946 044)	(22 467 000)	(21 912 306)	(184 971 762)
Fines; Penalties and Forfeits	(82 006)						(82 006)
Interest Property Rates by Usage				(570 265)			(570 265)
				(38 058 025)			(38 058 025)
Transfers and Subsidies	(9 564 406)	-	-	(92 317 753)	(22 467 000)	(21 912 306)	(146 261 465)
<b>Grand Total</b>	<b>(10 816 026)</b>	<b>(72 136)</b>	<b>-</b>	<b>(227 530 937)</b>	<b>(22 467 000)</b>	<b>(144 485 130)</b>	<b>(405 371 229)</b>

Row Labels	Community Services	Corporate Services	Executive & Council	Finance Services	Municipal Manager	Technical Services	Grand Total
<b>Expenditure</b>							
<b>Bulk Purchases</b>						37 476 868	37 476 868
<b>Contracted Services</b>	678 445	4 522 417	399 858	16 369 118	521 446	11 254 448	33 745 734
<b>Depreciation and Amortisation</b>	15 102 198	-	-	10 112	3 918 530	23 521 399	42 552 239
<b>Employee Related Cost Interest; Dividends and Rent on Land</b>	22 833 938	6 778 358	3 364 290	18 347 895	11 119 721	43 091 058	105 535 259
				19 909 489		5 010 691	24 920 180
<b>Inventory Consumed Irrecoverable Debts Written Off</b>	521 331		715 247	232 880	(94 016)	19 016 615	20 392 057
	-			4 275 674		321 338	4 597 013
<b>Operating Leases</b>		180 874		56 509		1 003 570	1 240 953
<b>Operational Cost</b>	2 248 423	2 194 386	455 325	7 011 645	165 031	2 785 187	14 859 997
<b>Remuneration of Councillors</b>			5 994 238				5 994 238
<b>Surplus / Deficit</b>	<b>(34 596 088)</b>	<b>(11 070 844)</b>	<b>(10 732 065)</b>	<b>154 224 820</b>	<b>(15 530 664)</b>	<b>(11 917 160)</b>	<b>70 377 999</b>
<b>Transfers and Subsidies</b>			-				-
<b>Gains and Losses</b>	-			(160 126)		147 662	(12 464)
	<b>6 788 247</b>	<b>2 605 191</b>	<b>196 894</b>	<b>220 438 142</b>	<b>100 049</b>	<b>131 564 014</b>	<b>361 692 537</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Segment information (continued)

#### Assets

Cash and Cash Equivalents	(52 267 285)	(6 759 412)	(22 339 790)	729 696	111 102 160	(11 615 011)	18 850 36
Other financial assets	-	-	-	1 916 933	-	-	1 916 93
Inventory	(6 490)	(78 529)	-	3 386 094	93 300	(33 274)	3 361 10
Receivables from Non-exchange Transactions	6 904 535	-	-	(7 396 793)	-	39 030 432	38 538 17
Trade and other Receivables from Exchange Transactions	19 260 186	-	-	224 478 075	-	210 831 185	454 569 44
VAT Receivable	2 359 959	237 714	32 692	91 629 504	37 283	7 246 309	101 543 46
Intangible Assets	-	-	-	-	85 224	-	85 22
Investment Property	-	-	-	61 994 212	-	(147 662)	61 846 55
Property; Plant and Equipment	(810 080)	(71 262)	-	782 291 310	(3 928 640)	1 399 419	778 880 74

<b>Total segment assets</b>	<b>(24 559 175)</b>	<b>(6 671 489)</b>	<b>(22 307 098)</b>	<b>1 159 029 031</b>	<b>107 389 327</b>	<b>246 711 398</b>	<b>1 459 591 99</b>
<b>Total assets as per statement of financial position</b>							<b>1 459 591 99</b>

#### Liabilities

Consumer deposits	(552 762)	-	-	(1 194 861)	-	69 875	(1 677 74)
Employee benefit obligation	-	-	-	(34 602 001)	-	-	(34 602 00)
Other financial liabilities	-	-	-	(10 115 027)	-	-	(10 115 02)
Provisions	-	-	-	(49 364 341)	-	-	(49 364 34)
Trade and Other Payable Exchange	(51 680 098)	(1 810 508)	(5 249 822)	(345 546 455)	(55 924 607)	(47 958 875)	(508 170 36)
Unexpected conditional grants and receipts	2 731 198	-	-	(16 340 852)	-	(12 997 843)	(26 607 49)

VAT Payable	(91 239)	(2 373)	-	(56 112 903)	-	(11 780 389)	(67 986 90)
<b>Total segment liabilities</b>	<b>(49 592 901)</b>	<b>(1 812 881)</b>	<b>(5 249 822)</b>	<b>(513 276 440)</b>	<b>(55 924 607)</b>	<b>(72 667 232)</b>	<b>(698 523 88)</b>
<b>Total liabilities as per statement of financial position</b>							<b>(698 523 88)</b>

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Segment information (continued)

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

2023

	Community	Corporate	Executive and Council	Finance	Municipal Manager	Technical	Total
<b>Revenue</b>							
Service charges	-	-	-	43 862 598	-	100 784 729	144 647 327
Rental of facilities and equipment	9 860	-	-	-	-	-	9 860
Other income	178 630	25 398	-	372 843	-	151 056	727 927
Interest received	18 970 899	9 296	-	42 596 373	-	-	61 576 568
Property rates	543 207	19 718 664	-	(68 294)	-	-	20 193 577
Interest received - outstanding debtors	-	-	-	3 448 365	-	-	3 448 365
Government grants and subsidies	9 782 114	88 862 000	-	18 001 000	-	10 182 964	126 828 078
Fines, penalties and forfeits	4 027	-	-	266 558	-	-	270 585
Fair value adjustments	-	-	-	157 738	-	-	157 738
<b>Total segment revenue</b>	<b>29 488 737</b>	<b>108 615 358</b>	<b>-</b>	<b>108 637 181</b>	<b>-</b>	<b>111 118 749</b>	<b>357 860 025</b>
<b>Expenditure</b>							
Employee related costs	(20 193 010)	(6 445 685)	(3 993 626)	(21 629 597)	(11 045 082)	(54 458 417)	(117 765 417)
Remuneration of councillors	-	-	(6 544 778)	-	-	-	(6 544 778)
Depreciation and amortisation	-	-	-	(41 841 389)	-	-	(41 841 389)
Finance costs	-	-	-	(21 030 781)	-	-	(21 030 781)
Repairs and maintenance	(224 340)	-	(141 787)	(34 222)	-	(9 986 328)	(10 386 677)
Bulk purchases	-	-	-	(2 790 752)	-	(55 325 585)	(58 116 337)
Transfers and subsidies	-	-	-	19 249 134	-	-	19 249 134
General expenses	(886 301)	(3 516 415)	(785 222)	(27 265 836)	(1 099 773)	(6 031 516)	(39 585 063)
Actuarial gains/losses	-	-	-	6 490 932	-	-	6 490 932
Loss on disposal of assets and liabilities	-	-	-	(12 662 234)	-	-	(12 662 234)
<b>Total segment expenditure</b>	<b>(21 303 651)</b>	<b>(9 962 100)</b>	<b>(11 465 413)</b>	<b>(101 514 745)</b>	<b>(12 144 855)</b>	<b>(125 801 846)</b>	<b>(282 192 610)</b>
<b>Total segmental surplus/(deficit)</b>							<b>75 667 414</b>

# **Mantsopa Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

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

Figures in Rand

---

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Segment information (continued)

<b>Assets</b>						
Inventories	-	-	-	2 575 451	-	2 575 451
Other financial assets	-	-	-	1 311 784	-	1 311 784
Receivables from exchange transactions	39 357 501	-	-	(32 181 974)	60 427 501	67 603 028
Receivables from non-exchange transactions	8 921 038	-	-	(2 672 407)	-	6 248 631
<b>Total segment assets</b>	<b>48 278 539</b>	<b>-</b>	<b>-</b>	<b>(30 967 146)</b>	<b>60 427 501</b>	<b>77 738 894</b>
<b>Total assets as per statement of financial position</b>						<b>77 738 894</b>
<b>Liabilities</b>						
Other financial liabilities	-	-	-	(8 555 595)	-	(8 555 595)
Payables from exchange transactions	(27 513 314)	2 987 428	(2 285 714)	(91 416 200)	4 609 100	(295 076 636)
<b>Total segment liabilities</b>	<b>(27 513 314)</b>	<b>2 987 428</b>	<b>(2 285 714)</b>	<b>(99 971 795)</b>	<b>4 609 100</b>	<b>(295 076 636)</b>
<b>Total liabilities as per statement of financial position</b>						<b>(417 250 931)</b>

### Measurement of segment surplus or deficit, assets and liabilities

#### 53. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 480 144 789 and that the municipality's total liabilities exceed its assets by R 480 144 789.

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.

Management considered the following matters relating to the going concern assumption that may cast significant doubt on the municipality's ability to continue as a going concern:

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 5.3 Going concern (continued)

- The 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's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The municipality's capacity to persist as a viable entity is contingent upon several elements. The primary responsibility is for the accounting officer to secure financing for the municipality's ongoing operations.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- Deficit of R 155 197 032 (2023: R 7 654 244) was realised, Government grants and subsidies contributed R146 261 465 (2023: R121 816 487).
- The municipality's unspent conditional grants for the current year amounted to R 26 607 496 (2023: R 25 206 962). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104).
- As at 30 June 2024 the municipality's current liabilities amounted to R 584 321 155 (2023: R 495 881 908), whilst the current assets amounted to R 300 913 503 (2023: R 341 769 389).
- The current and acid test ratios are below the required ratio of 0.3:1 and 0.3:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Mantsopa Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2024 financial year, the allocated Equitable Share allocation amounts to R 110 130 000 and the Financial Management Improvement Grant to R 3 100 000.
- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2022 furthermore disclosed government's proposed allocation of the 2023 and 2024 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.

The municipality has not been placed under administration for the 12 months ending 30 June 2024.

Plans to be included to address going concern assumption.

- Participating in the MSIP Plan from COGTA

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

The FSCOGTA is providing support (MSIP) to enable the municipality to discharge its statutory obligations focusing on the following:

POLITICAL	GOVERNANCE	ADMINISTRATIVE/INSTITUTIONAL SUPPORT	FINANCIAL VIABILITY & MANAGEMENT	SERVICE DELIVERY
Council Stability and minimal infighting	Oversight performance	Filling of critical vacancies, capacity building and compliance with legislations	Capacity building in the BTO, revenue collection, debt owed to utilities and statutory obligations	Service delivery backlogs, repairs and maintenance, conditional grants expenditure in accordance with DORA

- Voluntary participation of the FRP (Financial recovery plan)
- The municipality is participating in the voluntary Financial Recovery Plan focusing on the following pillars:

GOVERNANCE	INSTITUTIONAL DEVELOPMENT	FINANCIAL VIABILITY & MANAGEMENT	INFRASTRUCTURE DEVELOPMENT
Litigation & Contingent Liability	Management of staff discipline	Capacity of the BTO staff	General Technical Services and Service Delivery
Governance Oversight	Functionality of the LLF	Credibility of the Municipal Budget	Infrastructure Asset Management
System of Delegation	Leave Management	Revenue Management	Portable Water Supply and Bulk services
Performance Management, Internal Audit & Risk Management	Overtime management	Billing	Sanitation Services
Implementation of By-Laws	Records Management	Debt & Credit Control	Roads & Stormwater
ICT Governance	Organisational Structure	Poor financial management practices	Electricity & Power Supply
Powers & Functions		Standard Operating Procedures	Waste & Refuse Removal
		Grant Management	Fleet Management & Mechanical Workshops

- The municipality has adopted a Revenue enhancement programme which focuses on the following key priorities:
  - (a) Poor budgeting practices.
  - (b) Ever increasing debt book
  - (c) Service tariffs are not cost-reflective.
  - (d) Incorrect billing and unbilled consumption

# **Mantsopa Local Municipality**

Annual Financial Statements for the year ended 30 June 2024

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

---

# Mantsopa Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 54. Accounting by principals and agents

Fee paid as compensation to the agent R0 (2023: R 0).

Sebata Municipal Solutions - Contract Terminated 30 September 2023.

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

Details of the arrangement is as follows:

The municipality and Sebata has entered into an agreement in terms of which Sebata manages, delivers and maintains all aspects of electricity sales at vending points, the associated debt collection and maintenance of the electricity network.

The agreement became effective on 1 July 2021.

Sebata had no title, ownership, lien, leasehold rights or any right of limited ownership in respect of the network or any part thereof. Title to the network, including all improvement thereto from time to time, shall at all times vest and remain vested in Mantsopa.

Transactions undertaken on behalf of the municipality included the sale of electricity to consumers, both on credit and pre-paid (by the way of vendors), the collection of the debtors book and expenses incurred on behalf of the municipality.

The Mantsopa Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There are no significant risks and benefits associated with the principal-agent arrangements.

Sebata was only be permitted to charge such electricity tariffs for purposes of electricity distribution as may be approved by Mantsopa and NERSA annually.

Whether the entity is the principal or agent and any significant judgement applied in making this assessment.

Based on the agreement described above, the municipality is party to a principal-agent arrangement. The municipality directs Sebata as agents, through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit and is therefore the principal.

The municipality and Sebata had entered into an agreement in terms of which Sebata manages, delivers and maintains all aspects of electricity sales at vending points, the associated debt collection and maintenance of the electricity network.

Risk with regard to the network or any portion thereof shall, notwithstanding the use and operation thereof by Sabata, be borne by Mantsopa, as owner of the network.

Entity as principal:

No assets of the municipality are under the custodianship of Sebata.

Sebata has, and will have, no title, ownership, lien, leasehold rights or any right of limited ownership in respect of the network or any part thereof. Title to the network, including all improvement thereto from time to time, shall at all times vest and remain vested in Mantsopa.

The fee paid as compensation to the agent:

Commission paid to the agent is R 0 (2023: R 1 417 596). Commission (2,5%) deducted from employees is R 0 (2023: R 30 610)

Discussion of the resource or cost implications for the principal if the principal-agent arrangement is terminated.

The municipality will, from date of termination, source its own vendors for the continued vending of pre-paid electricity to the municipal consumers and be responsible for the meter readings, billing and collection of credit customers.