



Mangaung Metropolitan Municipality
Annual Financial Statements
for the year ended 30 June 2022

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
Grading of local authority	Metropolitan
Mayoral committee	
Executive Mayor	Siyonzana MA
Councillors	Jonas-Malephane VE Lockman SB Matsoetlane MJ Mogotloane TJ Morake MA Mosala MT Mothibi-Nkoane MM Nikelo VE Titi-Odili LM Tladi MM Twala PS Van der Ross KE
Deputy Executive Mayor	Mothibi-Nkoane MM
Speaker	Lockman SB
National Cabinet Representative	Maseko P
Accounting Officers	Motlashuping T (Acting City Manager)
Chief Financial Officer	Sediti T (Acting)
Registered office	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	ABSA Development Bank of South Africa Nedbank Standard Bank
Auditors	Auditor General of South Africa
Enabling legislation	Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 3 of 2017) Division of Revenue Act, (Act 16 of 2019) Municipal Demarcation Act, (Act 27 of 1998)

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Abbreviations

1. Abbreviations used within the annual financial statements

ACT	Actual
BAL	Balance
CAPEX	Capital expenditure
CFO	Chief Financial Officer
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DBSA	Development Bank of South Africa
FRESHCO	Free State Social Housing Company
GRAP	Generally Recognised Accounting Practice
HOD	Head of Directorate
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IPTN	Integrated Public Transport Network
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
OPEX	Operational expenditure
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
SOC	State Owned Company
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WIP	Work-in-Progress

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and 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 he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 44 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors to express an independent opinion on the fair presentation of the annual financial statements.

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

The annual financial statements set out on pages 7 to 136, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



Motlashuping T
Acting City Manager

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

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

Net deficit of the municipality was R 676,871,419 (2021: deficit R 13,066,233).

2. Going concern

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

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 4 of 2020).

Refer to Going Concern note 62 for more detail.

3. Subsequent events

The municipality embarked on a process of compiling the 2022 to 2024 indigent register to ensure implementation of free basic services to deserving and qualifying poor households in line with the Council approved indigent policy.

During a special council meeting held on 19 August 2022 it has been resolved that additional indigent accounts should be included in the 2022 indigent register for write-off in the 2022 financial year.

The municipality increased indigent debt write-off for the 2022 financial year by R141,692,461, refer to Note 49 for further information.

The additional write-off was included in the 2022 financial year's transactions.

4. Accounting Officers' interest in contracts

None

5. Accounting Officers

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

Name	Nationality	Description
Adv Mea TB	South African	Suspended until 31 July 2021 then resigned.
More S	South African	Acting from 1 August 2021 until 31 October 2021 and 1 November 2021 until 26 January 2022.
Maine T	South African	Acting from 21 May 2021 until 31 July 2021 and 26 January 2022 until 10 February 2022
Nkungwana MG	South African	Acting from 22 February 2022 until 31 March 2022.
Motlashuping T	South African	Acting from 20 April 2022 (Acting City Manager).

Mangaung Metropolitan Municipality

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Accounting Officer's Report

6. Intervention team

The administrative team is comprised of the following members effective from 1 January 2020:

1. Adv Mofokeng M – Office of the Premier.
2. Sesing M – Provincial Accountant General & CA.
3. Mokheseng D – Provincial COGTA.
4. Mohlahlo E – Acting Head Public Works & Infrastructure.
5. Mkaza TL – Vast experience in local government.
6. Mawonga T - Vast experience in local government (from 3 May 2021).
7. Ntoyi L - Vast experience in local government (from 3 May 2021).

In addition to the above National Cabinet requested on the 06 April 2022 for National Treasury to intervene in the affairs of Mangaung Metropolitan Municipality. The Minister for Finance approved the national intervention in terms of section 139(7) of the Constitution of the Republic of South Africa Act, 1996 ("the Constitution") read with section 150 of the MFMA, on the 26 th of April 2022 and was published on 28 April 2022.

The interim intervention team is comprised of the following members and their assumed positions from 20 April 2022:

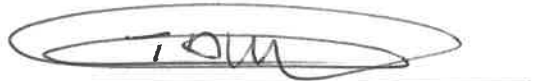
1. Maseko E - Interim National Cabinet Representative (resigned)
2. Motlashuping T (National CoGTA) - Acting City Manager
3. Sediti T (National Treasury) - Acting CFO
4. Adv Mpangane N (National CoGTA) - Acting HOD Corporate services
5. McLeod WR - Acting HOD Engineering
6. Mosehana-Dumalisile NR (Department of Human Settlements) - Acting HOD Human Settlement
7. Manyungwana XC (Department of Transport) - Fleet Management
8. Nei F (Department of Forestry Fisheries and the Environment) - Waste Management

The National intervention team from 22 July 2022 were as follows:

1. Maseko P - National Cabinet Representative
2. Mewalall S - Finance Specialist
3. Mngomane E - Service Delivery Specialist
4. Mapholoba L - Governance Specialist

7. Date of signature

The annual financial statements set out on pages 7 to 136, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on his behalf by:



Motlashuping T
Acting City Manager

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Notes	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	548,733,569	533,467,116
Other receivables from non-exchange transactions	4	764,212	950,267
Consumer receivables from exchange transactions	5	871,291,931	1,111,660,310
Consumer receivables from non-exchange transactions	6	338,888,440	766,473,521
Other receivables from exchange transactions	7	74,359,142	75,342,412
VAT receivable	8	153,696,392	69,794,592
Centlec intercompany loan	9	806,540,231	799,240,928
Cash and cash equivalents	10	728,277,531	195,678,895
Centlec receivables	16	6,604,149	6,654,710
		3,529,155,597	3,559,262,751
Non-Current Assets			
Investment property	11	1,585,611,015	1,570,916,988
Property, plant and equipment	12	11,664,648,498	11,870,542,981
Intangible assets	13	39,144,448	9,809,165
Heritage assets	14	244,666,687	279,968,687
Investments in controlled entities	15	100	100
Centlec receivables	16	851,354,157	857,958,305
Non-current receivables	17	152,956	129,545
Living resources	18	3,675,801	2,791,001
		14,389,253,662	14,592,116,772
Total Assets		17,918,409,259	18,151,379,523
Liabilities			
Current Liabilities			
Payables from exchange transactions	19	1,721,059,447	1,652,498,034
Payables from non-exchange transactions	20	307,755,243	336,624,132
Consumer deposits	21	33,839,791	33,351,036
Unspent conditional grants and receipts	22	571,039,043	35,662,707
Finance lease obligation	23	12,096,615	11,831,215
Borrowings	24	198,773,523	159,459,304
Provisions	25	98,748,234	616,660,269
Employee benefit obligation	26	32,007,000	35,379,000
		2,975,318,896	2,881,465,697
Non-Current Liabilities			
Finance lease obligation	23	-	38,221,652
Borrowings	24	470,121,326	616,971,669
Provisions	25	628,688,755	64,716,945
Employee benefit obligation	26	553,826,000	547,617,000
FRESHCO	27	149,520,237	163,648,133
Land availability	28	267,561,408	282,670,558
		2,069,717,726	1,713,845,957
Total Liabilities		5,045,036,622	4,595,311,654
Net Assets		12,873,372,637	13,556,067,869
Reserves			
Revaluation reserve	29	857,222,985	879,422,596
Self-insurance reserve	30	10,000,000	10,000,000
COVID reserve	31	19,139,985	20,890,377
Accumulated surplus		11,987,009,667	12,645,754,896
Total Net Assets		12,873,372,637	13,556,067,869

* See Note 70

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Statement of Financial Performance

Figures in Rand	Notes	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	33	1,611,315,981	1,478,466,906
Rental of facilities and equipment	34	49,216,654	48,546,578
Other income from exchange transactions	37	75,984,591	72,514,096
Interest received from exchange transactions	38	482,112,528	386,557,704
Dividends received	38	2,656	2,248
Total revenue from exchange transactions		2,218,632,410	1,986,087,532
Revenue from non-exchange transactions			
Living resources	12	444,200	334,600
Fines, penalties and forfeits	35	7,858,373	9,937,927
Interest received from non-exchange transactions	36	73,192,006	40,713,151
Property rates	39	1,387,795,158	1,190,390,992
Government grants & subsidies	41	2,080,812,087	2,040,443,181
Public contributions and donations	42	2,900,907	-
Total revenue from non-exchange transactions		3,553,002,731	3,281,819,851
Total revenue	32	5,771,635,141	5,267,907,383
Expenditure			
Employee related costs	43	(1,808,900,483)	(1,790,808,235)
Remuneration of councillors	44	(67,894,942)	(65,531,323)
Depreciation and amortisation	45	(673,217,075)	(718,392,355)
Finance costs	47	(232,429,588)	(184,157,954)
Debt impairment and bad debt write off	49	(1,780,309,540)	(804,852,430)
Bulk purchases	51	(835,315,570)	(743,539,271)
Contracted services	52	(508,843,210)	(490,487,078)
Grants and subsidies paid	40	(28,466,030)	(50,327,112)
General expenses	50	(420,974,517)	(358,713,507)
Total expenditure		(6,356,350,955)	(5,206,809,265)
Operating (deficit)/surplus		(584,715,814)	61,098,118
Inventories losses/write-downs	3	(5,149,265)	(4,821,251)
Actuarial gains/(losses)	26	45,066,000	(38,503,985)
Impairment loss	46	(25,514,271)	(2,731,628)
Fair value adjustments	53	15,044,854	(313,480)
Loss on disposal of assets and liabilities	54	(8,197,606)	(27,794,007)
Loss on revaluation of assets	55	(113,405,317)	-
		(92,155,605)	(74,164,351)
Deficit for the year		(676,871,419)	(13,066,233)

* See Note 70

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Self-insurance reserve	COLD reserve	Total reserves	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	905,082,600	10,000,000	22,287,275	937,369,875	12,655,292,071	13,592,661,946
Adjustments						
Prior year adjustments 70	(7,728,335)	-	-	(7,728,335)	(15,821,559)	(23,549,894)
Balance at 01 July 2020 as restated*	897,354,265	10,000,000	22,287,275	929,641,540	12,639,470,512	13,569,112,052
Changes in net assets						
Surplus for the year	-	-	-	-	29,163,610	29,163,610
Contributions received	-	354,267	-	354,267	(332,215)	22,052
Insurance claims processed	-	(354,267)	(1,396,898)	(1,751,165)	1,751,165	-
Realisation of the revaluation reserve through depreciation	(18,288,459)	-	-	(18,288,459)	18,288,459	-
Revaluation of assets	356,790	-	-	356,790	(356,790)	-
Prior year adjustments 70	-	-	-	-	(42,229,845)	(42,229,845)
Restated* Balance at 01 July 2021	879,422,596	10,000,000	20,890,377	910,312,973	12,645,754,893	13,556,067,866
Changes in net assets						
Surplus for the year	-	-	-	-	(676,871,419)	(676,871,419)
Contributions received	-	1,110,570	-	1,110,570	(1,110,570)	-
Insurance claims processed	-	(1,110,570)	(1,750,392)	(2,860,962)	2,860,962	-
Realisation of the revaluation reserve through depreciation	(17,568,338)	-	-	(17,568,338)	16,375,801	(1,192,537)
Revaluation of assets	(4,631,273)	-	-	(4,631,273)	-	(4,631,273)
Total changes	(22,199,611)	-	(1,750,392)	(23,950,003)	(658,745,226)	(682,695,229)
Balance at 30 June 2022	857,222,985	10,000,000	19,139,985	886,362,970	11,987,009,667	12,873,372,637
Prior period errors and change in accounting policy refer to note 70	29	30	31			

* See Note 70

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Notes	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		1,991,491,247	1,897,717,605
Grants		2,616,188,423	1,639,876,828
Interest income		345,333,398	232,836,653
Dividends received		2,656	2,248
		<u>4,953,015,724</u>	<u>3,770,433,334</u>
Payments			
Employee costs		(1,911,677,102)	(1,822,890,528)
Suppliers		(1,601,658,319)	(1,264,696,922)
Finance costs		(27,753,702)	(2,782,030)
Grant paid		(28,466,030)	(24,327,112)
		<u>(3,569,555,153)</u>	<u>(3,114,696,592)</u>
Net cash flows from operating activities	56	<u>1,383,460,571</u>	<u>655,736,742</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(599,696,293)	(531,721,425)
Proceeds from sale of investment property	11	338,618	-
Purchase of other intangible assets	13	(29,875,511)	(1,690,039)
Purchases of financial assets		(11,202)	35,319
Interest income		454,546	608,435
Net cash flows from investing activities		<u>(628,789,842)</u>	<u>(532,767,710)</u>
Cash flows from financing activities			
Repayment of borrowings		(107,536,124)	(120,369,559)
Repayment of finance leases		(37,956,251)	(100,986,566)
Finance costs		(76,579,718)	(101,165,171)
Net cash flows from financing activities		<u>(222,072,093)</u>	<u>(322,521,296)</u>
Net increase/(decrease) in cash and cash equivalents		532,598,636	(199,552,264)
Cash and cash equivalents at the beginning of the year		195,678,895	395,231,159
Cash and cash equivalents at the end of the year	10	<u>728,277,531</u>	<u>195,678,895</u>

* See Note 70

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand	Final approved budget	Virements	Final Budget	Actual amounts	Difference	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,618,735,650	-	1,618,735,650	1,611,315,981	(7,419,669)	
Rental of facilities and equipment	22,568,657	-	22,568,657	49,216,654	26,647,997	71.1
Other income from exchange transactions	519,845,374	-	519,845,374	75,984,591	(443,860,783)	71.2
Interest received from exchange transactions	226,783,857	-	226,783,857	482,112,528	255,328,671	71.3
Dividends received	2,248	-	2,248	2,656	408	71.4
Total revenue from exchange transactions	2,387,935,786	-	2,387,935,786	2,218,632,410	(169,303,376)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	1,403,471,743	-	1,403,471,743	1,387,795,158	(15,676,585)	
Interest received from non-exchange transactions	14,272,159	-	14,272,159	73,192,006	58,919,847	71.5
Transfer revenue						
Government grants & subsidies	947,044,061	-	947,044,061	1,172,479,964	225,435,903	71.6
Public contributions and donations	-	-	-	2,900,907	2,900,907	71.7
Fines, penalties and forfeits	24,456,790	-	24,456,790	7,858,373	(16,598,417)	71.8
Living resources	-	-	-	444,200	444,200	71.9
Total revenue from non-exchange transactions	2,389,244,753	-	2,389,244,753	2,644,670,608	255,425,855	
Total revenue (excluding capital transfers and contributions)	4,777,180,539	-	4,777,180,539	4,863,303,018	86,122,479	
Expenditure						
Employee related cost	(1,805,733,743)	-	(1,805,733,743)	(1,808,900,483)	(3,166,740)	
Remuneration of councillors	(66,355,599)	-	(66,355,599)	(67,894,942)	(1,539,343)	
Depreciation and amortisation	(226,819,918)	-	(226,819,918)	(673,217,075)	(446,397,157)	71.10
Impairment loss	-	-	-	(25,514,271)	(25,514,271)	71.10
Finance costs	(78,880,244)	-	(78,880,244)	(232,429,588)	(153,549,344)	71.11
Debt impairment & bad debt write-off	(933,425,833)	-	(933,425,833)	(1,780,309,540)	(846,883,707)	
Bulk purchases	(481,882,565)	-	(481,882,565)	(835,315,570)	(353,433,005)	71.12
Contracted services	(458,788,359)	-	(458,788,359)	(508,843,210)	(50,054,851)	71.13
Grants and subsidies paid	(2,829,740)	-	(2,829,740)	(28,466,030)	(25,636,290)	71.14
General expenses	(287,918,186)	-	(287,918,186)	(420,974,517)	(133,056,331)	71.15
Total expenditure	(4,342,634,187)	-	(4,342,634,187)	(6,381,865,226)	(2,039,231,039)	
Operating deficit	434,546,352	-	434,546,352	(1,518,562,208)	(1,953,108,560)	
Loss on disposal of assets and liabilities	(274,764,932)	-	(274,764,932)	(8,197,606)	266,567,326	
Fair value adjustments	-	-	-	15,044,854	15,044,854	71.16
Actuarial gains/losses	-	-	-	45,066,000	45,066,000	71.17
Loss on revaluation of assets	-	-	-	(113,405,317)	(113,405,317)	71.18
Inventories losses/write-downs	-	-	-	(5,149,265)	(5,149,265)	71.19
	(274,764,932)	-	(274,764,932)	(66,641,334)	208,123,598	
Surplus/(Deficit) before capital transfers and contributions	159,781,420	-	159,781,420	(1,585,203,542)	(1,744,984,962)	
Transfers recognised - Capital	1,347,435,301	-	1,347,435,301	908,332,123	(439,103,178)	71.20
Surplus/(Deficit) after capital transfers and contributions	1,507,216,721	-	1,507,216,721	(676,871,419)	(4,000,752,386)	

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Final approved budget	Virements	Final Budget	Actual amounts	Difference	Reference
Statement of Financial Position						
Current Assets						
Total current assets	3,512,244,302	-	3,512,244,302	3,529,155,597	16,911,295	71.21
Non-Current Assets						
Total Non-current assets	15,360,846,779	-	15,360,846,779	14,389,253,662	(971,593,117)	71.22
Total Assets	18,873,091,081	-	18,873,091,081	17,918,409,259	(954,681,822)	
Current Liabilities						
Total current liabilities	989,854,937	-	989,854,937	2,975,318,896	1,985,463,959	
Non-Current Liabilities						
Total Non-current liabilities	722,010,781	-	722,010,781	2,069,717,726	1,347,706,945	
Total Liabilities	1,711,865,718	-	1,711,865,718	5,045,036,622	3,333,170,904	
Net Assets	17,161,225,363	-	17,161,225,363	12,873,372,637	(4,287,852,726)	
Net Assets						
Reserves						
Total reserves	17,161,225,363	-	17,161,225,363	12,873,372,637	(4,287,852,726)	71.23

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand	Final approved budget	Virements	Final Budget	Actual amounts	Difference	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	4,090,715,929	-	4,090,715,929	1,991,491,247	(2,099,224,682)	71.24
Grants	1,822,659,583	-	1,822,659,583	2,616,188,423	793,528,840	71.24
Interest income	(9,541,843)	-	(9,541,843)	345,333,398	354,875,241	71.24
Dividends received	2,248	-	2,248	2,656	408	71.24
	5,903,835,917	-	5,903,835,917	4,953,015,724	(950,820,193)	
Payments						
Supplier and employee cost	(3,878,546,541)	-	(3,878,546,541)	(3,513,335,421)	365,211,120	71.24
Finance costs	(198,880,244)	-	(198,880,244)	(27,753,702)	171,126,542	71.24
Grants paid	(2,829,740)	-	(2,829,740)	(28,466,030)	(25,636,290)	71.24
	(4,080,256,525)	-	(4,080,256,525)	(3,569,555,153)	510,701,372	
Net cash flows from operating activities	1,823,579,392	-	1,823,579,392	1,383,460,571	(440,118,821)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(1,009,786,383)	-	(1,009,786,383)	(599,696,293)	410,090,090	71.24
Proceeds from sale of investment property	-	-	-	338,618	338,618	71.24
Purchase of other intangible assets	-	-	-	(29,875,511)	(29,875,511)	71.24
Purchase of financial assets	-	-	-	(11,202)	(11,202)	71.24
Finance costs	-	-	-	454,546	454,546	71.24
Net cash flows from investing activities	(1,009,786,383)	-	(1,009,786,383)	(628,789,842)	380,996,541	
Cash flows from financing activities						
Repayment of borrowings	(11,522,198)	-	(11,522,198)	(107,536,124)	(96,013,926)	71.24
Repayment of finance leases	-	-	-	(37,956,251)	(37,956,251)	71.24
Finance costs	-	-	-	(76,579,718)	(76,579,718)	71.24
Net cash flows from financing activities	(11,522,198)	-	(11,522,198)	(222,072,093)	(210,549,895)	
Net increase/(decrease) in cash and cash equivalents	802,270,811	-	802,270,811	532,598,636	(269,672,175)	71.24
Cash and cash equivalents at the beginning of the year	118,127,022	-	118,127,022	195,678,895	77,551,873	71.24
Cash and cash equivalents at the end of the year	920,397,833	-	920,397,833	728,277,531	(192,120,302)	

Budget variances are discussed in note 71.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period, except for a change in accounting policy on the impairment of government debt.

1.1 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.

1.2 Materiality

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

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the 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, loans and other receivables

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

Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of heritage assets is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of heritage assets is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 25 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.5 and 1.6. These estimates are based on industry norm.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Employee benefit obligation

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 26 - Employee benefit obligation.

1.4 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

- sale in the ordinary course of operations.

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

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

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

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

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

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

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

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

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

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

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meters and zoo animals which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to the revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 - 60
Landfill sites	Straight-line	10 - 55
Firearms	Straight-line	5 - 40
Environmental facilities	Straight-line	5 - 50
Roads and stormwater	Straight-line	3 - 100
Equipment under finance leases	Straight-line	3 - 5
Community / Recreational	Straight-line	10 - 30
Sewerage and mains	Straight-line	10 - 60
Water network	Straight-line	5 - 100
Security	Straight-line	10
Housing	Straight-line	5 - 30
Other vehicles	Straight-line	5 - 20
Other assets	Straight-line	3 - 20

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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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

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

Derecognition

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12 - Property, plant and equipment).

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

Accounting Policies

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Subsequent measurement

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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

Item	Amortisation method	Average useful life
Computer software	Straight-line	3 - 30
Servitudes	None	Indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13 - Intangible assets).

Derecognition

Intangible assets are derecognised:

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

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

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Living resources

Zoo animals comprise of animals held at Bloemfontein Zoo, Kwaggafontein and other nature areas.

Zoo animals are accounted for in terms of GRAP 110 as living resources. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at fair value at the time of donation or transfer, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value. The fair value of zoo animals is determined based on market prices of zoo animals of similar age, breed and genetic merit.

Zoo animals are also acquired through supply chain process and these newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. The offspring of newly acquired animals shall be recorded at a fair value at the time of birth and will also be depreciated accordingly.

Depreciation and impairment

Zoo animals are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of zoo animals listed below reflect useful lives of the different classes of animals at the various nature areas. Within the different classes of animals are a number of different species whose useful lives differ. Therefore, the useful lives of zoo animals listed below reflect the useful lives of the different species contained within a specific class of animals.

The longevity of zoo animals has been assessed as follows:

Aves	12 - 90 years
Mammalia	9 - 45 years
Reptilia	4 - 100 years

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 a zoo animal have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Subsequent measurement

Zoo animals are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of zoo animals is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in a zoo animal's carrying amount, as a result of a revaluation, is credited directly to the revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same zoo animal previously recognised in surplus or deficit.

Any decrease in a zoo animal's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that zoo animal.

The revaluation surplus in equity related to a specific item of zoo animals is transferred directly to accumulated surplus as the zoo animal is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the zoo animal.

Accounting treatment of other costs

Under the recognition principles in paragraph 1.15, the entity does not recognise in the carrying amount of a living resource the day-to-day costs, or the costs to maintain or to hold the living resource. Day-to-day costs are those costs incurred by an entity to manage the qualitative and quantitative changes of the biological transformation. Depending on its reason for holding the living resource, the entity assesses whether the costs incurred are day-to-day operating costs, or whether the incurred costs will enhance the future economic benefits or service potential of the resource.

Accounting Policies

Living resources comprise resources that are held for research, for example animals and plants used in testing facilities or laboratory animals. The principles in the Standard of GRAP on Intangible Assets (GRAP 31) indicate that during the research phase of an internal project, expenditure incurred as part of the research project should be recognised as an expense, because the entity cannot demonstrate that an asset exists that will generate future economic benefits or service potential. The principles in GRAP 31 are applied to assess whether costs incurred for research activities should be recognised as research or development costs.

Transfers of living resources

Transfers from living resources shall be made when, and only when, the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this Standard.

For a transfer from living resources carried at a revalued amount to property, plant and equipment (including bearer plants), inventories or to a biological asset, the living resource's deemed cost for subsequent accounting in accordance with the applicable Standard of GRAP shall be its revalued amount at the date of transfer. The entity shall apply the principles in this Standard up to the date of transfer. The entity treats any difference at that date between the GRAP 110 Issued March 2017 27 Living and Non-living Resources carrying amount of the living resource and its fair value in the same way as a revaluation in accordance with this standard.

If an item of property, plant and equipment (including bearer plants) carried at a revalued amount, or a biological asset carried at fair value less cost to sell, is reclassified as a living resource carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that living resource.

For a transfer from inventories or a biological asset to living resources at a revalued amount, any difference between the fair value of the living resource at GRAP 110 Issued March 2017 28 Living and Non-living Resources that date and its previous carrying amount shall be recognised in surplus or deficit.

Custodian assets

Where the entity acts as a custodian of a living or non-living resource, or group of living or non-living resources, other than land, the entity shall explain the nature of its custodial responsibility, including the legislation or similar means that establish.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Compensation from third parties for items of heritage assets property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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Accounting Policies

1.8 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 15).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 14 - Heritage assets).

1.9 Investment in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:

- a) the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- b) any costs directly attributable to the purchase of the controlled entity.

1.10 Financial instruments

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

Classification

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, 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 asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Accounting Policies

1.10 Financial instruments (continued)

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
 - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair

Mangaung Metropolitan Municipality

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Accounting Policies

1.10 Financial instruments (continued)

value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Presentation

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Centlec intercompany loan	Financial asset measured at amortised cost
Centlec receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Non-current receivables	Financial asset measured at fair value
Non-current receivables	Financial asset measured at amortised cost
Investment in controlled entity	Financial asset measured at cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Borrowings	Financial liability measured at amortised cost

1.11 Statutory receivables

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

Accounting Policies

1.11 Statutory receivables (continued)

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

Other charges

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

Impairment losses

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

The entity assesses statutory receivables individually, when assets are individually significant, and individually or collectively for statutory receivables that are not individually significant. Where no objective evidence of impairment exists for an individually assessed debtor (whether individually significant or not), an entity includes the assets in a group of statutory receivables with similar credit risk characteristics and collectively assesses them for impairment.

Statutory receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, statutory receivables with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable in the group.

These can include:

- the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
or
 - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
-
- Accounts in arrears for a period longer than the initial estimated repayment period;
 - Accounts with arrears of over 90 days showing no repayments in the last financial year;
 - Accounts handed over for collection;
 - Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
 - A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

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

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

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

Accounting Policies

1.11 Statutory receivables (continued)

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

Derecognition

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

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

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

1.12 Tax

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.13 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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Accounting Policies

1.13 Leases (continued)

Operating leases - lessee

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

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

1.14 Inventories

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

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

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

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

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

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

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

The cost of inventories of items that are interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 Impairment of cash-generating assets

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

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

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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

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

Depreciation and amortisation are the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Basis for estimates of future cash flows

In measuring value in use, the municipality:

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

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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.

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Mangaung Metropolitan Municipality

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

Depreciation and amortisation are the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

Identification

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

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

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.

Accounting Policies

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

Mangaung Metropolitan Municipality

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Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.18 Employee benefits

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

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Mangaung Metropolitan Municipality

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Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

Accounting Policies

1.18 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

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

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Mangaung Metropolitan Municipality

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Accounting Policies

1.18 Employee benefits (continued)

Other long-term employee benefits

The entity provides other long-term employee benefits to qualifying employees in the form of long service award.

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

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

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

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

The entity determines the present value of long-term employee benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Accounting Policies

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer if there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 59 - Contingencies.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

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.

1.20 Commitments

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in Note 58 - Commitments.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

1.21 Revenue from exchange transactions

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

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

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water services.

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- b) the amount of the revenue can be measured reliably.

1.22 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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 recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

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.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists, the Municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity 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.

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer, resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure which was incurred and identified during the financial year and also condoned by council in terms of the MFMA, is only disclosed in the notes to the financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be condoned by council is initially recognised as expenditure based on its nature and after further investigations classified to revenue and receivables. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write-off processes in terms of the MFMA.

Detailed disclosures are made in note 65 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.28 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Finance Management Act, the Municipal Systems Act, or the Public Office-Bearers Act, and which has not been condoned in terms of the MFMA.

Irregular expenditure which was incurred and identified during the financial year is disclosed in the financial statements. It will be accounted for as expenditure in the statement of financial performance and disclosed separately in the notes to the financial statements.

National Treasury circular 68 which was issued in terms of sections 32 of the Municipal Finance Management Act, Act 56 of 2003 on 10 May 2013 requires the following:

Accounting Policies

1.28 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was written off 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 approval for write off 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 written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not written off 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 written off 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.

Detailed disclosures are made in note 66 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.29 Internal reserves

Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the municipality, which is calculated by the entity's external insurance broker and is reinstated or increased by a transfer from the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit.

1.30 Revaluation reserve

The surplus arising from the revaluation of land, buildings, water meters and zoo animals 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.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.31 Segment information

A segment is an activity of an entity:

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

Accounting Policies

1.31 Segment information (continued)

Segmental information on property, plant and equipment, as well as income and expenditure are set out in Note 72 - Segment reporting, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

1.32 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 the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same basis.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

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 not on the same basis of accounting as determined by National Treasury.

Explanatory comments to material differences are provided in note 71 - Budget differences to the annual financial statements.

1.33 Related parties

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

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

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

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

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

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

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

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

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

1.34 Events after reporting date

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

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

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

Accounting Policies

1.34 Events after reporting date (continued)

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

1.35 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value;
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

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Accounting Policies

1.35 Service concession arrangements: Entity as grantor (continued)

Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

Accounting Policies

1.36 Advance receipts

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.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 20 Payable from non-exchange transactions where these receipts in advance are disclosed.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets;
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality has adopted the standard for the first time in the 2021/2022 annual financial statements.

The impact of the standard is set out in note 70, Prior Period Errors and Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2023.

The municipality expects to adopt the guideline for the first time in the 2023/2024 annual financial statements.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise;
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions has not yet been set.

The municipality expects to adopt the revisions once an effective date has been set by the Minister of Finance.

The impact of this revisions is currently being assessed.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise;
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions has not yet been set.

The municipality expects to adopt the revisions once an effective date has been set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of this revisions is currently being assessed.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued;
- Loan commitments issued;
- Classification of financial assets;
- Amortised cost of financial assets;
- Impairment of financial assets; and
- Disclosures.

The effective date of these revisions is 01 April 2025.

The municipality expects to adopt the revisions for the first time in the 2025/2026 annual financial statements.

The impact of this standard is currently being assessed.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation is 01 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2023/2024 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments include:

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate:
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete.

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26.
- Clarify that these arrangements may also be assessed in accordance with GRAP 21.

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment.
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings.
- Investment property under construction (within scope of GRAP 16):
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”.
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable.
- Clarify requirements on transfers to and from Investment property:
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property; and
 - o evidence exists that a change in use has occurred.
 - List of examples of a change in use is regarded as non-exhaustive.

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances:
 - Land has an unlimited useful life and cannot be consumed through its use.

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party:
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity;
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions;
 - Management services are services where employees of management entity perform functions as “management” as defined.

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended:
 - Primary financial statements amended to “financial statements” or “face of the financial statements”.

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired:
 - Both under cost model or revaluation model.

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets:
 - Disclose carrying amount of each material service concession asset recognised at the reporting date.

GRAP 37 – Joint Arrangements

- Application guidance clarified:
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages:
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation.

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within the scope of the Directive.

The effective date of these improvements is 01 April 2023.

The municipality expects to adopt the improvements for the first time in the 2023/2024 annual financial statements.

The impact of this improvements is currently being assessed.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2023.

The municipality expects to adopt the amendment for the first time in the 2023/2024 annual financial statements.

The impact of this amendment is currently being assessed.

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Inventories		
Consumable stores	3,249,592	4,634,856
Fuel (diesel, petrol)	1,299,734	1,381,083
Maintenance materials	1,724,532	1,766,326
Unsold properties held for resale	366,245,009	350,702,051
Water for distribution (in pipes and reservoirs)	4,507,279	4,003,694
Work in progress (inventory)	171,707,423	170,979,106
	548,733,569	533,467,116
Inventory losses and expenses		
Inventories written off	5,149,265	4,821,251
Inventories recognised as an expense during the year	24,224,156	21,509,949
Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 70.		
The municipality does not extract any non-regenerative resources for its use or for the use of others. All inventories, including water inventory, are acquired from third parties.		
Inventory pledged as security		
No inventory was pledged as security for any financial liability.		
4. Other receivables from non-exchange transactions		
Traffic fines receivable	283,789,931	280,936,095
Impairment - Traffic fines receivable	(283,025,719)	(279,985,828)
Government grants receivable	114,350,195	114,350,195
Impairment - Government grants receivable	(114,350,195)	(114,350,195)
	764,212	950,267
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Traffic fines receivable	764,212	950,267
Government grants receivable	-	-
	764,212	950,267
Total other receivables from non-exchange transactions	764,212	950,267

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

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4. Other receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions above relates to:

Traffic fines arises from fines revenue as disclosed in Note 35 in accordance with Section 341 of the Criminal procedure Act of 1977 and National Traffic Act.

Grants receivables relates to VAT on grants in prior years claimed from National Treasury which has not yet been finalised.

Credit quality of other receivables from non-exchange transactions:

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

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity does not hold any collateral as security.

Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

Other receivables from non-exchange transactions impaired:

As at 30 June 2022, other receivables from non-exchange transactions of R 397,375,914 (2021: R 394,336,023) were impaired and provided for.

The amount of the provision was R 397,375,914 as at 30 June 2022 (2021: R394,336,023).

Statutory receivables general information

Traffic fines receivable:

Revenue type - Non-exchange revenue

Legislation that gives rise to the transactions - In accordance with the Administrative Adjudication of Road Traffic Offences Act, 1998.

Rates and interest charges - The Act determines rates, no interest is charged.

Impairment consideration - Collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality.

Grants receivable:

Revenue type - Non-exchange revenue

Legislation that gives rise to the transactions - In accordance with sections 7(3) and 15(1) of the Division of Revenue Act, 2013.

Grants and interest charges - The Act determines the grants, no interest is charged.

Impairment consideration - Collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality.

Interest or other charges levied/charged

No other receivables from non-exchange transactions generated interest income and no other levies were charged.

Statutory receivables past due but not impaired

Statutory receivables which are past due are considered to be impaired. At 30 June 2022, R764,212 (2021: R950,267) were past due but not impaired.

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

Other receivables from non-exchange transactions are assessed in terms of their respective overall payment percentages. Some receivables are therefore past due, but the balances are still expected to be recoverable based on the payment percentages.

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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4. Other receivables from non-exchange transactions (continued)

Statutory receivables impaired

As of 30 June 2022, Statutory receivables of R397,375,914 (2021: R394,336,023) were impaired and provided for.

The amount of the provision was R397,375,914 as of 30 June 2022 (2021: R394,336,023).

Reconciliation of provision for impairment for statutory receivables

Opening balance	394,336,023	388,596,217
Provision for impairment adjustment	3,039,891	5,739,806
	397,375,914	394,336,023

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

Significant impairment losses recognised or reversed

Impairment Recognised - Traffic fines receivables:

Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage. The impairment loss is similar to our expectation, but quantitatively the impairment is significant and therefore disclosed separately.

Impairment Recognised - Government grants receivable:

The average credit period for government grants and subsidies is dependent on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government Grants and Subsidies receivable which are past due is not impaired as management have no concerns over the credit quality of these assets, but except for the instance on the claim for VAT on grants receivable as disclosed above.

5. Consumer receivables from exchange transactions

Gross balances

Water	4,024,156,721	3,205,682,833
Sewerage	981,563,472	859,494,537
Refuse	432,196,527	367,856,939
Housing rental	54,101,767	46,190,910
	5,492,018,487	4,479,225,219

Less: Allowance for impairment

Water	(3,370,072,457)	(2,477,691,632)
Sewerage	(831,762,941)	(542,333,600)
Refuse	(368,339,794)	(305,510,550)
Housing rental	(50,551,364)	(42,029,127)
	(4,620,726,556)	(3,367,564,909)

Net balance

Water	654,084,264	727,991,201
Sewerage	149,800,531	317,160,937
Refuse	63,856,733	62,346,389
Housing rental	3,550,403	4,161,783
	871,291,931	1,111,660,310

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Consumer receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	264,470,622	107,068,129
31 - 60 days	170,949,599	109,770,191
61 - 90 days	116,616,494	98,156,749
90+ days	3,437,143,519	2,860,719,602
Meter reading estimate	34,976,487	29,968,162
Less: Impairment	(3,370,072,457)	(2,477,691,632)
	654,084,264	727,991,201
Sewerage		
Current (0 -30 days)	36,578,760	33,545,477
31 - 60 days	25,434,393	24,600,877
61 - 90 days	23,609,256	22,017,992
90+ days	895,941,063	779,330,191
Less: Impairment	(831,762,941)	(542,333,600)
	149,800,531	317,160,937
Refuse		
Current (0 -30 days)	13,323,062	12,189,523
31 - 60 days	10,105,134	9,302,005
61 - 90 days	9,379,900	8,529,643
90+ days	399,388,431	337,835,768
Less: Impairment	(368,339,794)	(305,510,550)
	63,856,733	62,346,389
Housing rental		
Current (0 -30 days)	853,301	1,594,715
31 - 60 days	901,227	885,306
61 - 90 days	818,407	859,405
90+ days	51,528,832	42,851,484
Less: Impairment	(50,551,364)	(42,029,127)
	3,550,403	4,161,783

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Consumer receivables from exchange transactions (continued)		
Summary of receivables by customer classification		
Residential and Sundry		
Current (0 -30 days)	125,661,469	106,630,209
31 - 60 days	159,321,712	113,160,862
61 - 90 days	110,797,401	97,766,315
90+ days	3,683,783,971	3,037,696,408
Meter reading estimate	34,976,487	29,968,161
	<u>4,114,541,040</u>	<u>3,385,221,955</u>
Less: Allowance for impairment	<u>(3,662,929,581)</u>	<u>(3,005,637,558)</u>
	451,611,459	379,584,397
Business / commercial		
Current (0 -30 days)	167,612,597	27,611,605
31 - 60 days	22,292,042	16,018,795
61 - 90 days	20,791,766	14,296,438
90+days	455,555,115	419,864,344
	<u>666,251,520</u>	<u>477,791,182</u>
Less: Allowance for impairment	<u>(387,043,245)</u>	<u>(361,927,350)</u>
	279,208,275	115,863,832
National and provincial government		
Current (0 -30 days)	21,951,678	20,156,030
31 - 60 days	25,776,599	15,378,723
61 - 90 days	18,834,891	17,501,036
90+ days	644,662,759	563,176,292
	<u>711,225,927</u>	<u>616,212,081</u>
Less: Allowance for impairment	<u>(570,753,731)</u>	<u>-</u>
	140,472,196	616,212,081
Total		
Current (0 -30 days)	315,225,744	154,397,844
31 - 60 days	207,390,353	144,558,380
61 - 90 days	150,424,057	129,563,789
90+days	4,784,001,847	4,020,737,044
Meter reading estimates	34,976,487	29,968,161
	<u>5,492,018,488</u>	<u>4,479,225,218</u>
Less: Allowance for impairment	<u>(4,620,726,557)</u>	<u>(3,367,564,908)</u>
	871,291,931	1,111,660,310

Consumer receivables pledged as security

None of the consumer receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables

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

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Consumer receivables from exchange transactions (continued)		
Consumer receivables past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 357,814,410 (2021: R 274,122,169) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	207,390,353	144,558,380
2 months past due	150,424,057	129,563,789
	357,814,410	274,122,169
Consumer receivables impaired		
As of 30 June 2022, consumer debtors of R 4,620,726,556 (2021: R 3,367,564,908) were impaired and provided for.		
The amount of the provision was R 4,620,726,556 as of 30 June 2022 (2021: R 3,367,564,908).		
The ageing of these consumer receivables is as follows:		
Over 3 months	4,620,726,556	3,367,564,908
Reconciliation of allowance for impairment of consumer receivables from exchange transactions		
Opening balance	3,367,564,908	2,691,641,550
Allowance for impairment	1,253,161,648	675,923,358
	4,620,726,556	3,367,564,908
Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.		
6. Consumer receivables from non-exchange transactions		
Gross balances		
Consumer receivables - Rates	1,770,700,356	1,683,420,488
Less: Allowance for impairment		
Consumer receivables - Rates	(1,431,811,916)	(916,946,967)
Net balance		
Consumer receivables - Rates	338,888,440	766,473,521
Statutory receivables included in consumer receivables from non-exchange transactions above are as follows:		
Consumer receivables - Rates	338,888,440	766,473,521
Ageing of rates receivable		
Current (0 -30 days)	104,486,450	103,545,323
31 - 60 days	65,286,305	71,173,955
61 - 90 days	62,155,532	60,264,741
91+ days	1,538,772,069	1,448,436,469
Less: Allowance for impairment	(1,431,811,916)	(916,946,967)
	338,888,440	766,473,521

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Consumer receivables from non-exchange transactions (continued)		
Summary by customer classification		
Residential and sundry		
Current (0 -30 days)	40,248,037	36,805,328
31 - 60 days	25,808,983	23,525,794
61 - 90 days	25,837,550	20,747,949
90+ days	734,958,960	634,571,376
	<u>826,853,530</u>	<u>715,650,447</u>
Less: Allowance for impairment	(700,420,547)	(604,834,028)
	<u>126,432,983</u>	<u>110,816,419</u>
Business / commercial		
Current (0 -30 days)	43,425,727	44,214,227
31 - 60 days	19,001,256	25,906,078
61 - 90 days	15,875,257	17,795,683
90+ days	348,843,632	363,764,495
	<u>427,145,872</u>	<u>451,680,483</u>
Less: Allowance for impairment	(293,870,561)	(312,112,939)
	<u>133,275,311</u>	<u>139,567,544</u>
Government		
Current (0 -30 days)	20,812,685	22,525,767
31 - 60 days	20,476,066	21,742,083
61 - 90 days	20,442,724	21,721,109
90+ days	454,969,478	450,100,599
	<u>516,700,953</u>	<u>516,089,558</u>
Less: Allowance for impairment	(437,520,808)	-
	<u>79,180,145</u>	<u>516,089,558</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	916,946,967	749,249,421
Contributions to allowance	514,864,949	167,697,546
	<u>1,431,811,916</u>	<u>916,946,967</u>

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

Credit quality of consumer receivables from non-exchange transactions

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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6. Consumer receivables from non-exchange transactions (continued)

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022: R127,441,837 (2021: R131,438,696) were past due but not impaired.

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

1 month past due	65,286,305	71,173,955
2 months past due	62,155,532	60,264,741
	127,441,837	131,438,696

Consumer receivables from non-exchange transactions impaired

As at 30 June 2022, consumer receivables from non-exchange transactions of R1,431,811,916 (2021: R916,946,967) were impaired and provided for.

The ageing of amounts impaired is as follows:

Over 3 months	1,431,811,916	916,946,967
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Statutory receivables general information

Rates

Revenue type - Non-exchange revenue

Legislation that gives rise to the transactions - Municipal Property Rates Act 6 of 2004.

Rates and interest charges - Municipal Tariff Policy, Interest charged.

Impairment consideration - Individual collection rates, interest charged at discount rate.

Interest or other charges levied/charged

Interest was only charged on outstanding rates accounts. No other levies were charged.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R127,441,837 (2021: R131,438,696) were past due but not impaired.

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

1 month past due	65,286,305	71,173,955
2 months past due	62,155,532	60,264,741
	127,441,837	131,438,696

Statutory receivables impaired

As of 30 June 2022, Statutory receivables of R1,431,811,916 (2021: R916,946,967) were impaired and provided for.

The amount of the provision was R1,431,811,916 as of 30 June 2022 (2021: R916,946,967).

Reconciliation of provision for impairment for statutory receivables

Opening balance	916,946,967	749,249,421
Provision for impairment	514,864,949	167,697,546
	1,431,811,916	916,946,967

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Other receivables from exchange transactions		
Deferred lease	11,699,673	12,166,352
Accrued interest on investments	88,667	101,241
Prepaid water vendors	11,321,468	11,179,302
Staff leave days receivable	14,003	17,576
Overpayment of contractors	19,351,080	19,351,080
Impairment - Overpayment of contractors	(19,351,079)	(19,351,079)
Sundry receivables	140,537,863	124,734,968
Impairment - Sundry receivables	(89,357,981)	(72,899,137)
Housing and erven selling schemes	3,131,465	2,956,340
Impairment - Housing and erven selling schemes	(3,076,017)	(2,914,231)
Cricket stadium	2,573,558	1,971,904
Impairment - Cricket stadium	(2,573,558)	(1,971,904)
	74,359,142	75,342,412

Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from exchange transactions

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

None of the other receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 5,163,491 (2021: R 6,544,047) were past due but not impaired.

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

1 month past due	5,163,491	6,544,047
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Other receivables from exchange transactions impaired

As of 30 June 2022, trade and other receivables of R 114,358,635 (2021: R 97,136,351) were impaired and provided for.

The amount of the provision was R 114,358,635 as of 30 June 2022 (2021: R 97,136,351).

The ageing of these receivables are as follows:

Over 3 months	114,358,635	97,136,351
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Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	97,136,351	72,826,720
Provision for impairment	17,222,284	24,309,631
	114,358,635	97,136,351

Other receivables from exchange transactions consist of receivables raised from other income from exchange transactions recognised (refer to note 37 - Other income).

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on other receivables from exchange transactions.

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

Mangaung Metropolitan Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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8. VAT receivable

VAT	153,696,392	69,794,592
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VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

Statutory receivables included in VAT receivables above are as follows:

VAT receivable	153,696,392	69,794,592
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Statutory receivables general information:

Revenue type - Not applicable.

Legislation that gives rise to the transactions - Value Added Tax Act 89 of 1991.

Rates and interest charges - The Act determines rates and interest is charge.

Impairment consideration - No impairment, balance expected to be fully recoverable.

Interest or other charges levied/charged:

No VAT receivable generated interest income and no other levies were charged.

Statutory receivables impaired:

VAT receivables included in statutory receivables are not impaired nor considered for impairment, balance expected to be fully recoverable.

9. Centlec intercompany loan

Centlec intercompany loan	806,540,231	799,240,928
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The intercompany loan balance is the net balance payable or receivable of all transactions between Centlec (SOC) Limited and the entity and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. The applicable interest rate for the year was 7% (2021: 7.25%).

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	143,049	142,049
Bank balances	41,412,220	28,801,767
Short-term deposits	686,722,262	166,735,079
	728,277,531	195,678,895

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the entity is R50,000,000 (2021: R50,000,000).

There are no restrictions on the entity's ability to realise cash balances.

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

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

Credit rating		
Ba1	728,134,482	-
Ba2	-	195,536,846
	728,134,482	195,536,846

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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10. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID Reserve	25,857,106	25,136,426
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The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	2022	2021	2020	2022	2021	2020
Nedbank 1186196793 (Primary Account)	35,091,277	21,032,744	34,794,910	34,833,656	20,478,683	34,258,129
Nedbank 1186245379 (Traffic)	-	-	-	9,274	4,550	11,290
Nedbank 1186660643 (Charges)	-	-	-	(45,893)	(46,584)	(37,293)
Nedbank 1186239778 (Cashiers)	-	-	-	1,860,814	1,964,827	1,795,925
Nedbank 1186414936 (Fresh Produce Market)	4,416,943	5,289,942	5,926,673	4,416,943	5,289,942	5,926,673
ABSA 470000465 (Primary Account)	337,426	1,110,350	769,186	337,426	1,110,350	769,186
Total	39,845,646	27,433,036	41,490,769	41,412,220	28,801,768	42,723,910

The cash book balances indicated in the table above are balances prior to the sweeping of sub-accounts to the main account done by the bank at year end.

Summary of short-term deposits held

ABSA	25,857,106	25,136,426
Nedbank	660,865,156	141,598,653
	686,722,262	166,735,079

11. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,585,611,015	-	1,585,611,015	1,570,916,988	-	1,570,916,988

Reconciliation of investment property - 2022

	Opening balance	Derecognition	Fair value adjustments	Total
Investment property	1,570,916,988	(338,618)	15,032,645	1,585,611,015

Reconciliation of investment property - 2021

	Opening balance	Derecognition	Total
Investment property	1,571,238,441	(321,453)	1,570,916,988

Pledged as security

No investment property has been pledged as security for any financial liability.

Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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11. Investment property (continued)

Details of property

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

Details of valuation

The effective date of the valuation was 30 June 2022. The entity's investment property was revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the valuation roll.

Investment property above includes the following:

The following maintenance costs were incurred:

Revenue generating investment property	1,180,430,000	1,180,454,100
Non-revenue generating investment property	405,181,015	390,462,888
	1,585,611,015	1,570,916,988

Amounts recognised in surplus or deficit

Rental revenue from Investment property	5,812,038	5,576,262
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From Investment property that generated rental revenue

Direct operating expenses (excluding repairs and maintenance)	5,658,787	8,309,405
Repairs and maintenance	-	205
	5,658,787	8,309,610

This cost consists of payments made to contractors for repairing and maintaining these assets.

No staff member is engaged in any labour towards the repair and maintenance of investment property.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
			depreciation and accumulated impairment	Carrying value
Land	1,310,915,375	-	1,310,915,375	1,578,172,544
Buildings	1,067,874,261	-	1,067,874,261	1,065,441,492
Buildings - Service concession asset	304,960,000	-	304,960,000	304,959,226
Buildings WIP	3,788,637	-	3,788,637	3,788,637
Infrastructure - Roads and roads related	6,097,632,736	(3,469,761,205)	2,627,871,531	5,858,085,468
Infrastructure - Sanitation network	3,507,174,433	(1,115,423,876)	2,391,750,557	3,490,590,062
Infrastructure - Water meters	103,958,144	(2,191,096)	101,767,048	204,726,798
Infrastructure - Water network	2,513,775,183	(1,083,909,917)	1,429,865,266	2,451,567,150
Infrastructure - WIP	995,420,070	(1,892,624)	993,527,446	850,490,620
Community - Landfill sites and quarries	749,685,629	(608,811,993)	140,873,636	769,729,681
Community - Other	1,365,759,450	(718,879,291)	646,880,159	1,337,058,155
Community - WIP	118,667,666	(1,935,806)	116,731,860	119,839,603
Fleet	541,602,837	(233,200,545)	308,402,292	544,960,158
Other property, plant and equipment	137,553,281	(107,364,446)	30,188,835	124,452,790
Infrastructure - Roads and roads related - Service Concession asset	207,856,318	(67,298,215)	140,558,103	196,882,933
Infrastructure - Sanitation network - Service Concession asset	39,105,058	(3,556,384)	35,548,674	29,731,906
Infrastructure - Water network - Service concession asset	14,836,180	(1,691,362)	13,144,818	14,836,180
Total	19,080,565,258	(7,415,916,760)	11,664,648,498	18,945,313,403
				(7,074,770,422)
				11,870,542,981

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions (including WIP additions)	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,578,172,544	12,740,330	(875,000)	(8,241,163)	(270,881,336)	-	-	1,310,915,375
Buildings	929,052,650	-	(1,687,420)	5,990,545	167,258,606	(32,740,120)	-	1,067,874,261
Buildings - Service concession asset	234,804,072	-	-	-	82,421,118	(12,265,190)	-	304,960,000
Buildings WIP	3,788,637	5,990,545	-	(5,990,545)	-	-	-	3,788,637
Infrastructure - Roads and roads related	2,618,433,741	-	(25,220,424)	291,163,190	-	(256,504,976)	-	2,627,871,531
Infrastructure - Sanitation network	2,498,110,716	-	(84)	16,596,323	-	(122,956,398)	-	2,391,750,557
Infrastructure - Water meters	149,082,441	-	(1,609,358)	37,818,010	(61,672,193)	(21,851,852)	-	101,767,048
Infrastructure - Water network	1,439,469,601	-	(2,296,841)	65,838,677	-	(73,146,171)	-	1,429,865,266
Infrastructure - WIP	850,490,620	576,692,187	-	(431,762,737)	-	-	(1,892,624)	993,527,446
Community - Landfill sites and quarries	209,171,408	-	-	-	(20,044,052)	(45,215,827)	(3,037,893)	140,873,636
Community - Other	673,147,418	2,900,907	-	25,800,390	-	(54,143,843)	(824,713)	646,880,159
Community - WIP	119,839,603	24,628,453	-	(25,800,390)	-	-	(1,935,806)	116,731,860
Fleet	356,211,603	-	(1,116,061)	-	-	(28,886,206)	(17,807,044)	308,402,292
Other property, plant and equipment	25,587,701	13,120,467	(16,195)	-	-	(8,486,946)	(16,192)	30,188,835
Infrastructure - Roads and roads related - Service Concession asset	144,771,628	-	-	10,973,385	-	(15,186,910)	-	140,558,103
Infrastructure - Sanitation network - Service Concession asset	26,918,397	-	-	9,373,152	-	(742,875)	-	35,548,674
Infrastructure - Water network - Service concession asset	13,490,201	-	-	-	-	(345,383)	-	13,144,818
	11,870,542,981	636,072,889	(32,821,383)	(8,241,163)	(102,917,857)	(672,472,697)	(25,514,272)	11,664,648,498

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions (Including WIP additions)	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,584,950,376	3,730,073	(531,000)	(9,976,905)	-	-	-	1,578,172,544
Buildings	958,559,156	-	(304,206)	3,783,958	-	(32,986,258)	-	929,052,650
Buildings - Service concession asset	248,267,349	-	-	-	-	(13,463,277)	-	234,804,072
Buildings WIP	5,230,367	2,342,228	-	(3,783,958)	-	-	-	3,788,637
Infrastructure - Roads and roads related	2,794,200,235	4,374,449	(23,488,966)	133,786,788	-	(290,438,765)	-	2,618,433,741
Infrastructure - Sanitation network	2,573,193,430	654,372	(263)	49,261,458	-	(124,998,281)	-	2,498,110,716
Infrastructure - Water meters	160,347,768	-	(6,562,303)	14,753,787	-	(19,456,811)	-	149,082,441
Infrastructure - Water network	1,509,691,381	392,394	-	5,092,242	-	(75,706,416)	-	1,439,469,601
Infrastructure - WIP	572,316,340	488,973,594	-	(210,799,314)	-	-	-	850,490,620
Community - Landfill sites and quarries	182,136,691	-	-	-	73,834,275	(46,799,558)	-	209,171,408
Community - Other	730,583,787	-	(508,757)	3,827,683	-	(58,023,667)	(2,731,628)	673,147,418
Community - WIP	83,850,090	39,817,196	-	(3,827,683)	-	-	-	119,839,603
Fleet	366,750,885	19,607,811	-	-	-	(30,147,093)	-	356,211,603
Other property, plant and equipment	31,567,979	3,404,195	(26,460)	-	-	(9,358,013)	-	25,587,701
Infrastructure - Roads and roads related - Service Concession asset	159,992,452	-	-	-	-	(15,220,824)	-	144,771,628
Infrastructure - Sanitation network - Service Concession asset	27,648,368	-	-	-	-	(729,971)	-	26,918,397
Infrastructure - Water network - Service concession asset	13,835,587	-	-	-	-	(345,386)	-	13,490,201
	12,003,122,241	563,296,312	(31,421,955)	(17,881,944)	73,834,275	(717,674,320)	(2,731,628)	11,870,542,981

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Figures in Rand	2022	2021
12. Property, plant and equipment (continued)		
Pledged as security		
No property, plant and equipment were pledge as security for any financial liability.		
Assets subject to finance lease (Net carrying amount)		
Fleet	48,437,105	90,107,203
Other property, plant and equipment	201,776	302,526
	48,638,881	90,409,729

Revaluations

Revaluation of land and buildings:

The effective date of the revaluations was 30 June 2022. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued. The values of the properties were determined based on the market values and the information obtained from the valuation roll.

Revaluations of water meters:

The effective date of the revaluation was 30 June 2022. Revaluations were performed by an independent firm who have recent experience in the locations and categories of the meters valued.

The valuations were performed after the following factors were taken into account:

- the useful lives and;
- the condition of the asset.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

The entity's asset management policy requires the verification of all moveable assets on an annual basis. However, due to the Covid-19 pandemic, the verification exercise could not be completed for all moveable assets.

Prior period errors

Certain prior period figures were restated due to errors identified in the current financial year, refer to note 70 for further details.

Change in estimate

For certain classes of property, plant and equipment the remaining useful lives were adjusted to a minimum remaining usefil life of 3 years, refer to note 69 for further detail.

Mangaung Metropolitan Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Property, plant and equipment (continued)		
Carrying value of property, plant and equipment that is taking a significantly longer period		
Implementation of projects affected by the appointment of new service providers:		
Project T1528 - Man RD 11388 & 11297 IN JB Mafora	-	164,770
Project W1404, A, B, C - Botshabelo and Thaba Nchu internal bulk	13,482,202	29,115,751
Project C640/FFF3 - Open bus stations (bus stop shelter)	-	1,701,907
Project T1538 - Victoria & Kolbe intersection	-	638,697
Project C273/PP3 & C534 - Botshabelo Development Node Phase 2	22,597,512	22,597,512
Project T1432, -1, -2 - T1432 MAN 10786 Bergman Square	25,826,914	25,826,914
Implementation of projects affected by budgetary constraints:		
Project C063/A1 - Vistapark 2 - Re-Align Bulk Water Pipeline	24,038,124	24,038,124
Project T1419B, B (1) - Road 6 (Phase 2) Upgrading of Street & Storm Water	3,424,081	3,424,081
Project T1522 - Thaba Nchu Rd 2029	436,992	436,992
Project T1525 - Bot Rd 601: Upgrading of Street & Storm water	1,253,943	1,253,943
Project T1529 (S1201) - Bot Rd 3824: Botshabelo West (Main Road)	636,628	636,628
Project T1536 - Heavy Rehabilitation of Zastron Street	1,086,617	1,086,617
Project W0903C - North Eastern WWTW Phase 2	14,156,574	1,062,783
Project W1416E, F, K - Basic Sanitation and Internal Bulk Services	5,715,172	5,715,172
Project W1502, (1), B, C, G - M/P Water Re-Use (Pump Stat)	45,524,767	45,378,366
Project W1515 - Maselspoort WTW Refurbishment	2,809,609	2,809,609
Project W1515F - Filter & Clar Refurbishment	2,698,673	2,698,673
Project W1515G, H - Hamilton Park Pump Station Refurbishment	991,929	991,929
Project W1520 - Naval Hill Reservoir Phase 2	1,464,702	1,464,702
Project T1527B, C - Botshabelo: Bogach St: Upgrading of Streets	753,831	753,831
Project C480, C380/A1, C380/W1 - New office block (Botshabelo)	2,234,859	2,234,859
Project W1403, B - Botshabelo and Thaba Nchu Internal Bulk	12,186,959	12,186,959
Contracts/Projects placed on hold:		
Project C288, 155 - Relocation of Zoo	17,213,348	17,213,348
Project C328 - Multi Purpose Centre Grassland 3	89,187	89,187
Project T1520, T1521 - Nelson Mandela and First Avenue Pedestrian Bridge	10,114,050	10,114,050
Project T1610A (S1201) - Upgrade of Streets and Storm Water	-	1,892,624
Contracts/Projects terminated:		
Project T1530 - Bot Rd B16 & 903: Section T	-	1,334,935
Project T1527A (2) - T1527A Bochabela Streets	-	12,344,002
Implementation of projects delayed as a result of community unrest:		
Project C273/KK6D, KK6A - IPTN Bus Depot - Civil	-	45,949,294
Project C273/C13,13B - Forthare Contract 2	-	16,086,033
Project C273/C20,21,22,23 and 24 - IPTN Health and Safety	-	760,800
Project C582/A1, B1, C1, D1, I1, K1 - IPTN Projects	-	237,239,290
Project T1428A, A3, A4 - T1428A Man Rd 198, 199 & 200 Bochabelo	-	3,358,401
Project T1429B, B3 - T1429B Man Rd 11548 Kagisanong	-	14,824,165
Project T1430C, C1 - 7TH ST: Upgrading Of Street & Storm water	-	3,709,236
Project T1527A, A1 Bochabela Streets	-	10,040,385
Project T1530-3 - T1530 BOT Rd B16 & 903 Section T Upgrade	-	604,354
Project W1107(1), (3) - Refurbishment of Water Supply Systems	34,893,642	34,893,642
Project C415/B1 - Internal sewer reticulation - 9981631	11,736,430	11,736,430
	255,366,745	608,408,995

Prior period figures were restated due to not all expenditure included in Project W1107(1) and Project C415/B1 omitted from the disclosure.

Projects which figures changed from a value in the prior year to zero in the current year had movement on the status of the project during the year.

Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	257,506,882	204,240,863
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Prior period figures for contracted services (repairs and maintenance) was restated due to errors, refer to Note 70 for prior period errors.

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12. Property, plant and equipment (continued)

Deemed cost

Deemed cost was determined using depreciated replacement cost.

13. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14,036,981	(9,122,099)	4,914,882	14,378,231	(8,923,121)	5,455,110
Intangible assets - WIP	6,723,859	-	6,723,859	4,048,348	-	4,048,348
Servitudes	27,505,707	-	27,505,707	305,707	-	305,707
Total	48,266,547	(9,122,099)	39,144,448	18,732,286	(8,923,121)	9,809,165

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	5,455,110	-	(540,228)	4,914,882
Intangible assets - WIP	4,048,348	2,675,511	-	6,723,859
Servitudes	305,707	27,200,000	-	27,505,707
	9,809,165	29,875,511	(540,228)	39,144,448

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	5,644,830	341,251	(530,971)	5,455,110
Intangible assets - WIP	2,699,560	1,348,788	-	4,048,348
Servitudes	305,707	-	-	305,707
	8,650,097	1,690,039	(530,971)	9,809,165

Pledged as security

None of the intangible assets were pledged as security.

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

Telemetry and Scada	6,723,859	4,048,348
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Intangible assets with indefinite useful lives

Servitudes	27,505,707	305,707
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The servitudes held by the entity are land rights that have been issued.

The land held by the entity, including servitudes, is deemed to have an indefinite useful life.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Certain prior period figures were restated due to errors identified in the current financial year, refer to note 70 for further details.

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14. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Buildings and statues	244,666,687	-	244,666,687	279,968,687	-	279,968,687

Reconciliation of heritage assets 2022

	Opening balance	Revaluation (Reserve)	Total
Buildings and statues	279,968,687	(35,302,000)	244,666,687

Reconciliation of heritage assets 2021

	Opening balance	Total
Buildings and statues	279,968,687	279,968,687

Pledged as security

No heritage assets have been pledged as security for any financial liability.

Revaluations

Other heritage assets

The effective date of the revaluation was 30 June 2022. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the municipal valuation roll.

The valuation was performed after the following factors were taken into account:

- the useful life of the asset;
- the condition of the asset; and
- the location of the asset.

Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

Deemed costs

Deemed cost was determined using the depreciated replacement cost.

15. Investments in controlled entities

Movements in carrying amount

Centlec (SOC) Limited

Opening balance	100	100
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Mangaung Metro Municipality has a 100% (2021: 100%) ownership in Centlec (SOC) Limited.

The carrying amounts of controlled entities are shown net of impairment losses.

On the 4th of June 2021, there was a council resolution for the determination of a new sale of business agreement between Centlec and the municipality. The agreement was to be implemented within 21 days however based on the legal and accounting implications, Council resolved to defer the implementation's financial period of the resolution from 2020/21 to 2022/23 financial period.

Mangaung Metropolitan Municipality

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Figures in Rand	2022	2021
16. Centlec receivables		
Controlled entities		
Shareholders loan	803,609,368	803,609,368
Capital advances	54,348,938	61,003,647
	857,958,306	864,613,015
Shareholders loan		
The capital amount outstanding shall bear interest at the lower of 15% of Centlec (SOC) Limited's prior year's revenue or the interest rate used as at 30 June 2010 (i.e. 8.7%), adjusted for CPI as per the Public Finance Sector.		
The adjusted interest rate as at 30 June 2022 was 18.78% (2021: 16.65%). The applicable rate for the current year and the prior year was based on the adjusted CPI as per the Public Finance Sector.		
The loan is repayable from 2015 over a period of 21 years.		
Capital advances		
The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during prior years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 7% (2021: 7.25%).		
Non-current assets	851,354,157	857,958,305
Current assets	6,604,149	6,654,710
	857,958,306	864,613,015
17. Non-current receivables		
Designated at fair value		
2535 Unlisted shares (Thaba Nchu) - OVK Limited	43,303	38,595
2573 Unlisted shares (Naledi) - OVK Limited	46,314	42,455
3685 Unlisted shares - Senwes Ltd	34,642	31,000
	124,259	112,050
At amortised cost		
Housing and erven selling schemes	9,864,916	9,877,699
Impairment - Housing and erven selling schemes	(9,836,219)	(9,860,204)
Cricket stadium	-	2,573,558
Impairment - Cricket stadium	-	(2,573,558)
	28,697	17,495
Total other financial assets	152,956	129,545
Non-current assets		
Designated at fair value	124,259	112,050
At amortised cost	28,697	17,495
	152,956	129,545

Terms and conditions:

Housing and erven selling schemes

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six-monthly payments for public organisations over a period of 20 years.

Cricket stadium

The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.

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17. Non-current receivables (continued)

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 3

Class 1 - Unlisted shares	124,259	112,050
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Financial assets at amortised cost

Financial assets at amortised cost past due but not impaired

Other non-current assets which are less than 3 months past due are not considered to be impaired. None of the other financial assets were past due but not impaired.

Financial assets at amortised cost impaired

As of 30 June 2022, other non-current assets of R 9,836,219 (2021: R 12,433,762) were impaired and provided for.

The amount of the provision was R 9,836,219 as of 30 June 2022 (2021: R 12,433,762).

The ageing of these loans are as follows.

Over 6 months	9,836,219	12,433,762
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Reconciliation of provision for impairment of financial assets at amortised cost

Housing and Erven selling scheme

Opening balance	9,860,204	9,709,376
Provision for impairment	(23,985)	150,828
	9,836,219	9,860,204

Cricket Stadium

Opening balance	2,573,558	4,545,462
Provision for impairment	(2,573,558)	(1,971,904)
	-	2,573,558

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

Financial assets pledged as security

None of the non-current receivables were pledged as security for any financial liability.

Mangaung Metropolitan Municipality

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18. Living resources

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	5,526,065	(1,850,264)	3,675,801	4,641,265	(1,850,264)	2,791,001

Reconciliation of zoo animals - 2022

	Opening balance	Decrease due to death	Increase through non-exchange functions	Revaluation	Depreciation	Total
Zoo animals	2,791,001	(104,848)	444,200	749,598	(204,150)	3,675,801

Reconciliation of living resources - 2021

	Opening balance	Decrease due to death	Increase through non-exchange functions	Revaluation	Depreciation	Total
Zoo Animals	2,724,001	(437,327)	334,600	356,791	(187,064)	2,791,001

Revaluations

Zoo animals

The effective date of the revaluation was 30 June 2022 . The revaluations was performed by Beryl Wilson (Zoologist & Conservation Biologist), an independant professionally qualified valuer, who holds a recognised professional qualification and has recent experience in valuations of zoo animals.

Currently the day-to-day costs of living resources are accounted for as operating costs as it is not capital of nature.

No research costs relating to living resources occurred.

None of the living resource assets are held for less than 12 months.

Currently the entity is not acting as a custodian for any living resources.

The average value of an animal in a family group was used and the following significant assumptions were applied by the expert, as per the valuation report obtained:

- Market availability
- Current market trends
- Conservation status
- Education and popularity value to the public
- Husbandry costs
- Health Management and disease risks
- Physical condition
- Age and gender
- Reproductive status

Mangaung Metropolitan Municipality

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Figures in Rand	2022	2021
19. Payables from exchange transactions		
Accrued bonus	34,545,965	40,938,033
Accrued leave pay	239,893,859	260,230,041
Bulk water purchases	690,166,388	765,321,781
Claims - Unfair dismissal	4,879,817	4,879,817
Other creditors	26,000	26,000
Other payables - Grants	979,450	979,450
Other payables - Salary related	91,304,593	80,676,149
Retentions	132,918,614	115,240,647
Trade payables	526,344,761	384,206,116
	1,721,059,447	1,652,498,034

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 262 days (2021: 274 days).

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

20. Payables from non-exchange transactions

Deposits	918,008	938,850
Other	1,737,399	2,207,711
Payments received in advance	305,099,836	333,477,571
	307,755,243	336,624,132

21. Consumer deposits

Water deposits	33,839,791	33,351,036
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Guarantees in lieu of consumer deposits amounted to R 2,892,133 (2021: R 2,594,386).

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

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
City of Ghent - Youth Development Grant	481,950	481,950
Department of Telecoms and Postal Services Grant	-	1,133,554
Expanded Public Work Programme Integrated Grant	14,136	364,394
Finance Management Grant	104,467	3,186
Human Settlements Provincial Grant	53,746,060	-
Informal Settlements Upgrading Partnership Grant	132,207,474	-
Integrated City Development Grant	-	3,714,313
Local Government Sector Education and Training Authority Grant	5,299,588	2,228,830
Municipal Human Settlements Capacity Grant	2,000,000	2,000,000
Municipal Systems Improvement Grant	1,055,000	1,055,000
Neighbourhood Development Partnership Grant	4,214,789	1,142,169
Programme and Project Preparation Support Grant	1,454,500	-
Public Transport Network Grant	92,786,580	-
Sports, Arts and Culture - Admin Libraries Grant	5,320,906	4,692,787
Sustainable Human Settlements Grant	-	1,595,782
Urban Settlements Development Grant	272,353,593	17,250,742
	571,039,043	35,662,707

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
22. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	35,662,707	436,229,060
Surrendered to National Treasury	(18,379,000)	(183,963,000)
Current year receipts	2,637,296,759	1,823,839,829
Conditions met - transferred to revenue	(2,080,812,087)	(2,040,443,182)
Transferred to other income	(2,729,336)	-
	571,039,043	35,662,707

See note 41 for reconciliation of grants from National and Provincial Government.

23. Finance lease obligation

Minimum lease payments due		
- within one year	12,496,076	38,059,718
- in second to fifth year inclusive	-	14,710,004
	12,496,076	52,769,722
less: future finance charges	(399,461)	(2,716,855)
Present value of minimum lease payments	12,096,615	50,052,867
Present value of minimum lease payments due		
- within one year	12,096,615	38,221,652
- in second to fifth year inclusive	-	11,831,215
	12,096,615	50,052,867
Non-current liabilities	-	38,221,652
Current liabilities	12,096,615	11,831,215
	12,096,615	50,052,867

The entity leases various equipment and vehicles under finance leases.

The average lease term is between 2 to 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent.

The entity did not default on any of the finance lease obligations, whether it be on the capital or interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer Note 12 for further detail.

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

24. Borrowings

At amortised cost		
ABSA	286,803,856	334,959,258
Nr: 23135 - redeemable on 30 October 2026		
DBSA	80,699,242	92,655,688
Nr: 103433/01 - redeemable on 29 January 2027		
DBSA	21,310,187	25,069,491
Nr: 103433/02 - redeemable on 29 January 2027		
DBSA	150,175,483	183,980,124
Nr: 61007294 - Redeemable on 30 June 2025		
Standard Bank	129,906,081	139,766,412
Nr: 041303636 - Redeemable on 30 December 2024		
	668,894,849	776,430,973

Mangaung Metropolitan Municipality
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Figures in Rand	2022	2021
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24. Borrowings (continued)

Total other financial liabilities	668,894,849	776,430,973
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These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six-monthly basis. The final loan will be redeemed on 29 January 2027 and the loans bear interest between 6% and 14%.

Non-current liabilities

At amortised cost	470,121,326	616,971,669
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Current liabilities

At amortised cost	198,773,523	159,459,304
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Defaults and breaches

The municipality defaulted on the following borrowings during the current and prior year:

Loans payable including capital and interest

Details of loans in default (payable by 30 June each year)

DBSA	80,699,242	92,655,688
Nr: 103433/01		
DBSA	21,310,187	25,069,492
Nr: 103433/02		
DBSA	150,175,483	183,980,125
Nr: 61007294		
Standard Bank	129,906,081	139,766,412
Nr: 041303636		

Carrying amount of loans payable in default at end of reporting period	382,090,993	441,471,717
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All the defaults on the above borrowings were remedied through payment of the accrued capital and interest amounts on the 8th of July 2021 and the 8th of July 2022 respectively.

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

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25. Provisions		
Rehabilitation of landfill sites	207,149,262	157,876,614
Rehabilitation of quarry sites	520,287,727	523,500,600
	727,436,989	681,377,214

Reconciliation of provisions - 2022

	Opening Balance	Unwinding	Fair value adjustment	Total
Rehabilitation of landfill sites	157,876,614	16,690,940	32,581,708	207,149,262
Rehabilitation of quarry sites	523,500,600	55,345,228	(58,558,101)	520,287,727
	681,377,214	72,036,168	(25,976,393)	727,436,989

Reconciliation of provisions - 2021

	Opening Balance	Unwinding	Fair value adjustment	Total
Rehabilitation of landfill sites	96,010,327	10,151,623	51,714,664	157,876,614
Rehabilitation of quarry sites	479,112,848	21,849,885	22,537,867	523,500,600
	575,123,175	32,001,508	74,252,531	681,377,214

Non-current liabilities	628,688,755	64,716,945
Current liabilities	98,748,234	616,660,269
	727,436,989	681,377,214

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision was determined by an independent expert for the rehabilitation cost in 2022 and then approximated the expected future cash flows using reasonable estimation techniques.

Landfill sites consists of: Restoration date:

Botshabelo Landfill Site	2115
Northern Landfill Site	2021
Southern Landfill Site	2036
Van Stadensrus Landfill Site	2035
Wepener Landfill Site	2032
Dewetsdorp	2028
Soutpan / Ikgomotseng Landfill site	2032

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

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25. Provisions (continued)

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002).

The provision was determined by an independent expert for the rehabilitation cost in 2022 and then approximated the expected future cash flows using reasonable estimation techniques.

Quarries consists of:	Restoration date:	Quarries consists of:	Restoration date:
<u>Bloemfontein</u>		<u>Thaba Nchu</u>	
Cecelia	2025	Seroala	2025
Sunnyside	2025	Thubisi	2025
Kgotsoong	2025	Putsane	2025
Ipopeng	2025	Merino	2025
Chris Hani	2025	Rhakoi	2025
Caleb Motsoabi	2025	Sediba	2025
N1	2025	Rooibult	2025
		Kgalala	2025
<u>Botshabelo</u>		Baraclava 1	2025
K-Section	2025	Baraclava	2025
F1-Section	2025	Bultfontein 3	2025
F2.1-Section	2025	Modutung	2025
F2.2-Section	2025	Talla	2025
W-Section	2025	Nogas Post	2025
S-Section	2025		
B-Section	2025		

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Discount rate assumptions

The key assumptions used in the valuation, with prior year's assumptions shown for comparison, are summarised as follows:

Inflation rate	7.41%	5.07%
Risk-free rate	10.56%	10.57%

The inflation rate was derived from the yearly inflation rate for the relevant financial year.

The weighted-average cost of debt of the municipality was determined to be the most appropriate discount rate as it represents the risk of the liability.

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26. Employee benefit obligations		
Present value of the Long service award benefit	106,996,000	115,876,000
Present value of the Pension fund benefit	1,753,000	2,015,000
Present value of the Post-employment medical aid benefit	477,084,000	465,105,000
	585,833,000	582,996,000
Defined benefit plan		
The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.		
Post-retirement medical aid plan		
Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.		
Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.		
Pension benefits		
Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the Free State Joint Municipal Pension Fund or Free State Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.		
Long service awards		
Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.		
The amounts recognised in the statement of financial position are as follows:		
Carrying value of the defined benefit obligation		
Opening balance	582,996,000	502,525,629
Interest cost	56,060,000	47,790,990
Current service cost	27,222,000	22,764,000
Benefits paid	(35,379,000)	(28,588,604)
Actuarial (gain)/loss	(45,066,000)	38,503,985
	585,833,000	582,996,000
Non-current liabilities	553,826,000	547,617,000
Current liabilities	32,007,000	35,379,000
	585,833,000	582,996,000
Net expense recognised in the statement of financial performance		
Interest cost	56,060,000	47,790,990
Current service cost	27,222,000	22,764,000
Actuarial (gain)/loss	(45,066,000)	38,503,985
	38,216,000	109,058,975

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26. Employee benefit obligations (continued)

Changes in present value of the defined benefit obligation

2022	Pension fund	Medical aid	Long service award	Total
Opening balance	2,015,000	465,105,000	115,876,000	582,996,000
Interest cost	148,000	46,821,000	9,091,000	56,060,000
Current service cost	-	18,058,000	9,164,000	27,222,000
Benefits paid	(271,000)	(14,304,000)	(20,804,000)	(35,379,000)
Actuarial (gain)/loss	(139,000)	(38,596,000)	(6,331,000)	(45,066,000)
	1,753,000	477,084,000	106,996,000	585,833,000
2021	Pension fund	Medical aid	Long service award	Total
Opening balance	1,991,629	392,294,000	108,240,000	502,525,629
Interest cost	101,990	40,619,000	7,070,000	47,790,990
Current service cost	-	13,519,000	9,245,000	22,764,000
Benefits paid	(257,604)	(14,184,000)	(14,147,000)	(28,588,604)
Actuarial (gain)/loss	178,985	32,857,000	5,468,000	38,503,985
	2,015,000	465,105,000	115,876,000	582,996,000

Key assumptions used

Assumptions used at the reporting date:

Discount rate - Pension Fund	9.85 %	7.87 %
Discount rate - Medical Aid	11.82 %	10.22 %
Discount rate - Long Service Award	10.50 %	8.60 %
Health care cost inflation rate	8.43 %	6.89 %
Maximum subsidy inflation rate	5.95 %	4.79 %
General earnings inflation rate	7.24 %	5.60 %
Pension fund inflation rate	6.11 %	4.25 %
Expected retirement age (years)	62 years	62 years

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26. Employee benefit obligations (continued)

Pension fund assumptions

Pension fund discount rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.85% (2021: 7.87%) per annum has been used. The corresponding index-linked yield at this term is 3.05%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

Pension fund inflation rate:

This assumption is required to reflect estimated future changes to pensions. The expected CPI inflation assumption of 6.11% (2021: 4.25%) was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.05%) and those of fixed interest bonds (9.85%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.85\%-0.50\%)/(1+3.05\%))-1$. Therefore, a pension inflation rate of 6.11% has been assumed i.e. 100% of expected CPI inflation. This implies a net discount rate of 3.52%, which derives from $((1+9.85\%)/(1+6.11\%))-1$.

Medical aid assumptions

Medical aid discount rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.82% (2021: 10.22%) per annum has been used. The corresponding index-linked yield at this term is 4.10%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

Health care cost inflation rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.43% (2021: 6.89%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.93%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.13% which derives from $((1+11.82\%)/(1+8.43\%))-1$.

The expected inflation assumption of 6.93% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.10%) and those of fixed interest bonds (11.82%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+11.82\%-0.50\%)/(1+4.10\%))-1$.

Maximum subsidy inflation rate:

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 5,007.00 per family per month for the year ending 30 June 2023. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation. The future salary inflation assumption of 7.93%, was set to be 1.00% above expected CPI inflation. Thus, a maximum subsidy inflation assumption of 5.95% per annum was used.

Long service award assumptions

Discount rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

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26. Employee benefit obligations (continued)

Consequently, a discount rate of 10.50% per annum has been used. The corresponding liability-weighted index-linked yield is 3.54%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2022.

General earnings inflation rate:

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

The expected CPI inflation assumption of 6.24% was obtained from the differential between market yields on index-linked bonds (3.54%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.50%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+10.50\%-0.50\%)/(1+3.54\%))-1$.

Thus, a general earnings inflation rate of 7.24% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.04%.

Withdrawal rate assumptions:

In the absence of credible past withdrawal data for these particular schemes, the withdrawal assumptions have been set in line with those generally observed in the South African market.

The withdrawal rates vary from 3% to 9% for the age group 20 - 50 years, while the estimated withdrawal rate from 55 years is calculated at 0%.

Other information:

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

Other assumptions

The effect of one percentage point increase/ decrease in the rates of the main assumptions is as follows for the 2022 financial year:

	One percentage point increase	One percentage point decrease
Unfunded Accrued Liability (Pension fund inflation rate)	1,848,000	1,666,000
Aggregate of current service and interest costs (Pension fund inflation rate)	157,000	140,000
Unfunded Accrued Liability (Pension fund discount rate)	1,666,000	1,850,000
Aggregate of current service and interest costs (Pension fund discount rate)	157,000	138,000
Unfunded Accrued Liability (Health care cost inflation rate)	512,665,000	433,655,000
Aggregate of current service and interest costs (Health care cost inflation rate)	71,076,000	57,526,000
Unfunded Accrued Liability (Medical aid discount rate)	418,573,000	549,518,000
Aggregate of current service and interest costs (Medical aid discount rate)	59,902,000	70,864,000
Unfunded Accrued Liability (General earnings inflation rate)	112,299,000	102,106,000
Aggregate of current service and interest costs (General earnings inflation rate)	19,337,000	17,266,000
Unfunded Accrued Liability (Long service award discount rate)	101,862,000	112,659,000
Aggregate of current service and interest costs (Long service award discount rate)	18,300,000	18,196,000

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

	2022	2021	2020	2019	2018
Defined benefit obligation	585,833,000	582,996,000	502,525,629	538,815,163	720,561,000

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27. FRESHCO		
FRESHCO (Free State Social Housing Company)	149,520,237	163,648,133

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households.

The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 34 – (Rental of facilities and equipment).

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence.

FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

There were no changes in the service concession arrangement that occurred during the current financial year.

There were no breaches in contract by either party involved in the service concession arrangement during the current financial year.

28. Land availability

Hillside view	267,561,408	282,670,558
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The entity has entered into agreements with developers to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households.

Hillside view:

The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period. In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35.

This development will be known as the Hillside View.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, as well as the infrastructure services. The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

There were no changes in the service concession arrangement that occurred during the current financial year. There were no breaches in contract by either party involved in the service concession arrangement during the current financial year.

Vista Park III:

The agreement commenced on 11 September 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period. In terms of the agreement, the developer will develop approximately 6529 erven of various categories in Mangaung Extension 256 to 266. This development will be known as the Vista Park III.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, as well as the infrastructure services. The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

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28. Land availability (continued)

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the municipality shall be capitalised throughout the development process.

There were no changes in the service concession arrangement that occurred during the current financial year. There were no breaches in contract by either party involved in the service concession arrangement during the current financial year.

As at the end of the current financial year, all costs were incurred by the municipality. The municipality thus it has no liability for the development to date.

29. Revaluation reserve

Opening balance	879,422,596	905,082,600
Revaluation of assets	(4,631,273)	356,790
Realisation of revaluation reserve - through depreciation	(17,568,338)	(26,016,794)
	857,222,985	879,422,596

There are no restrictions on the distribution of the revaluation reserve.

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

30. Self-insurance reserve

Opening balance	10,000,000	10,000,000
Contributions received	1,110,570	354,267
Insurance claims processed	(1,110,570)	(354,267)
	10,000,000	10,000,000

31. COID reserve

Opening balance	20,890,377	22,287,275
Insurance claims processed	(1,750,392)	(1,396,898)
	19,139,985	20,890,377

32. Revenue

Service charges	1,611,315,981	1,478,466,906
Rental of facilities and equipment	49,216,654	48,546,578
Other income from exchange transactions	75,984,591	72,514,096
Interest received from exchange transactions	482,112,528	386,557,704
Dividends received	2,656	2,248
Property rates	1,387,795,158	1,190,390,992
Interest received from non-exchange transactions	73,192,006	40,713,151
Government grants & subsidies	2,080,812,087	2,040,443,181
Public contributions and donations	2,900,907	-
Fines, penalties and forfeits	7,858,373	9,937,927
Living resources	444,200	334,600
	5,771,635,141	5,267,907,383

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,611,315,981	1,478,466,906
Rental of facilities and equipment	49,216,654	48,546,578
Other income from exchange transactions	75,984,591	72,514,096
Interest received from exchange transactions	482,112,528	386,557,704
Dividends received	2,656	2,248
	2,218,632,410	1,986,087,532

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Figures in Rand	2022	2021
32. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	1,387,795,158	1,190,390,992
Interest received from non-exchange transactions	73,192,006	40,713,151
Transfer revenue		
Government grants & subsidies	2,080,812,087	2,040,443,181
Public contributions and donations	2,900,907	-
Fines, penalties and forfeits	7,858,373	9,937,927
Living resources	444,200	334,600
	3,553,002,731	3,281,819,851
33. Service charges		
Sale of water - Conventional meters	991,022,072	930,136,856
Sale of water - Prepaid meters	68,655,568	60,890,893
Sewerage and sanitation charges	400,574,062	345,566,449
Refuse removal	150,196,516	141,008,513
Other service charges	867,763	864,195
	1,611,315,981	1,478,466,906
34. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	33,989,260	33,770,709
Rental of equipment	1,098,501	645,480
Service concession rental*	14,128,893	14,130,389
	49,216,654	48,546,578
* The service concession rentals relate to the revenue recognised from the FRESHCO liability. Refer to note 27 for further information.		
Prior year figures were restated due to errors identified in the current financial year, refer to note 70.		
35. Fines, penalties and forfeits		
Traffic fines	3,606,129	9,055,156
Unclaimed deposits and stale cheques	4,252,244	882,771
	7,858,373	9,937,927
36. Interest from non-exchange transactions		
Consumer receivables from non-exchange transactions	73,192,006	40,713,151

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Figures in Rand	2022	2021
37. Other income from exchange transactions		
Advertising	6,090,430	5,291,751
Building plan fees	6,173,420	6,051,126
Clearance certificates	3,452,867	3,603,810
Commission - Fresh produce market	26,028,822	25,243,186
Entrance fees	91,846	172,793
Grave plots	4,888,023	5,005,951
Insurance collection	1,337,683	2,687,695
Parking	1,388,515	1,378,457
Sale of erven	1,027,203	1,194,148
Sale of tender documents	1,520,365	787,585
Service concession revenue*	15,837,467	15,837,467
Sundry income	8,147,950	5,260,127
	75,984,591	72,514,096

* The service concession revenue relates to the revenue recognised from the land availability liability. Refer to note 28 for further information.

38. Investment revenue

Dividends received

Unlisted financial assets - Local	2,656	2,248
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Interest received from exchange transactions

Centlec (SOC) Limited - Capital advances	4,270,255	4,908,298
Centlec (SOC) Limited - Intercompany loan	54,302,049	55,112,213
Centlec (SOC) Limited - Shareholders loan	150,956,860	133,787,468
Interest charged on consumer and other receivables - exchange transactions	254,658,610	173,828,220
Interest charged on non-current receivables	454,546	608,433
Interest earned on cash and cash equivalents	17,470,208	18,313,072
	482,112,528	386,557,704
	482,115,184	386,559,952

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39. Property rates		
Rates received		
Residential and business / commercial	1,063,741,448	779,807,646
Government	324,053,710	410,583,346
	1,387,795,158	1,190,390,992
Valuations		
Residential	69,766,782,823	68,972,371,472
Commercial	22,181,864,283	22,151,331,153
Government	11,567,223,365	11,503,758,376
Municipal	4,315,611,082	4,293,655,212
	107,831,481,553	106,921,116,213

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 80,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

2022:

From 1 July 2021 the basic rates were adjusted as follows:

- R 0.0089380 multiply by comma two five cent (0.25), per rand on the rateable value of farm property (exempt from VAT);
- R 0.0089380 on the value of rateable residential property;
- R 0.0044690 on the value of rateable property under development;
- R 0.0346340 on the value of rateable government property;
- R 0.0346340 on the value of rateable business property;
- R 0.0022350 on the value of rateable Public Service Infrastructure.

2021:

From 1 July 2020 the basic rates were adjusted as follows:

- R 0.008432, multiply by comma two five cent (0.25), per rand on the rateable value of farm property (exempt from VAT);
- R 0.008432, on the value of rateable residential property;
- R 0.034634 on the value of rateable government property;
- R 0.034634 on the value of rateable business property;
- R 0.002109 on the value of rateable Public Service Infrastructure

Extension for the implementation of the new valuation roll for the current financial year was requested and granted by MEC of CoGTA. The validity of the old valuation roll was extended to 5 years from 1 July 2017 to 30 June 2022.

40. Grants and subsidies paid

Grants paid to Municipal Entities

Urban Settlements Development Grant	28,466,030	50,325,123
Other subsidies		
Miscellaneous Grants	-	1,989
	28,466,030	50,327,112

Urban Settlements Development Grant:

The urban settlements development grant is an integrated source of funding for infrastructure for municipal services and upgrades to urban informal settlements. The grant was transferred in part to Centlec (SOC) Ltd. The grant is used to provide capital subsidies to licensed distributors to address the national electrification programme in order to mitigate the risk of load shedding and supply interruptions.

Miscellaneous grants:

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

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41. Government grants & subsidies		
Operating grants		
Equitable share	830,046,000	911,525,000
Expanded Public Works Programme Integrated Grant	1,301,864	1,540,692
Finance Management Grant	1,998,719	2,196,814
Fuel levy	332,282,000	319,813,000
Programme and Project Preparation Support Grant	5,479,500	-
Sports, Arts and Culture - Admin Libraries Grant	1,371,881	758,075
	1,172,479,964	1,235,833,581
Capital grants		
Human Settlements Provincial Grant	142,253,940	-
Informal Settlements Upgrading Partnership Grant	81,685,526	-
Integrated City Development Grant	-	4,350,785
Neighbourhood Development Partnership Grant	26,523,211	5,220,626
Public Transport Network Grant	130,861,420	279,877,313
Urban Settlements Development Grant	527,008,026	515,160,876
	908,332,123	804,609,600
	2,080,812,087	2,040,443,181
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	918,484,087	809,105,181
Unconditional grants received	1,162,328,000	1,231,338,000
	2,080,812,087	2,040,443,181
Equitable share		
Current year receipts	830,046,000	911,525,000
Transferred to revenue	(830,046,000)	(911,525,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Fuel levy		
Current year receipts	332,282,000	319,813,000
Transferred to revenue	(332,282,000)	(319,813,000)
	-	-
The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.		
City of Ghent - Youth Development Grant		
Balance unspent at beginning of year	481,950	481,950
Conditions still to be met - remain liabilities (see note 22).		
The grant is given by the City of Ghent for youth development.		

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41. Government grants & subsidies (continued)

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	364,394	1,375,087
Surrendered to National Treasury	(364,394)	(1,313,001)
Current year receipts	1,316,000	1,843,000
Conditions met - transferred to revenue	(1,301,864)	(1,540,692)
	14,136	364,394

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

Finance Management Grant

Balance unspent at beginning of year	3,186	-
Current year receipts	2,100,000	2,200,000
Conditions met - transferred to revenue	(1,998,719)	(2,196,814)
	104,467	3,186

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Local Government Sector Education and Training Authority Grant

Balance unspent at beginning of year	2,228,830	-
Current year receipts	3,070,758	2,228,830
	5,299,588	2,228,830

Conditions still to be met - remain liabilities (see note 22).

The grant is a learnership grant from LGSETA for interns seconded at different entities.

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	-	69,815,066
Surrendered to National Treasury	-	(69,815,066)
	-	-

The purpose of the grant is to reconstruct and rehabilitate municipal infrastructure damaged by disaster. To restore functionality of municipal infrastructure following a disaster.

Municipal Human Settlements Capacity Grant

Balance unspent at beginning of year	2,000,000	2,000,000
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Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

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41. Government grants & subsidies (continued)

Municipal Systems Improvement Grant

Balance unspent at beginning of year	1,055,000	1,055,000
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Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal System Act, the Municipal Rates Act and related legislation.

Programme and Project Preparation Support Grant

Current year receipts	6,934,000	-
Conditions met - transferred to revenue	(5,479,500)	-
	1,454,500	-

Conditions still to be met - remain liabilities (see note 22).

The grant provides funding to the metropolitan municipalities to enhance the performance of their urban built environment programmes by supporting programme and project preparation. It reflects commitments contained in the National Development Plan to streamline funding for urban public investments to support the restructuring of the urban built environment.

Sports, Arts and Culture - Admin Libraries

Balance unspent at beginning of year	4,692,787	3,450,862
Current year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(1,371,881)	(758,075)
	5,320,906	4,692,787

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

Department of Telecoms and Postal Services

Balance unspent at beginning of year	1,133,554	1,133,554
Transferred to other income	(1,133,554)	-
	-	1,133,554

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.

Informal Settlements Upgrading Partnership Grant

Current year receipts	213,893,000	-
Conditions met - transferred to revenue	(81,685,526)	-
	132,207,474	-

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is for the upgrading of informal settlements.

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41. Government grants & subsidies (continued)		
Integrated City Development Grant		
Balance unspent at beginning of year	3,714,313	7,192,099
Surrendered to National Treasury	(3,714,313)	(5,500,000)
Current year receipts	-	6,373,000
Conditions met - transferred to revenue	-	(4,350,786)
	3,714,313	3,714,313

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to provide a financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	1,142,169	11,757,795
Surrendered to National Treasury	(1,142,169)	(9,800,000)
Current year receipts	30,738,000	4,405,000
Conditions met - transferred to revenue	(26,523,211)	(5,220,626)
	4,214,789	1,142,169

Conditions still to be met - remain liabilities (see note 22).

This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.

Public Transport Network Grant

Balance unspent at beginning of year	-	103,044,313
Surrendered to National Treasury	-	(15,600,000)
Current year receipts	223,648,000	192,433,000
Conditions met - transferred to revenue	(130,861,420)	(279,877,313)
	92,786,580	-

Conditions still to be met - remain liabilities (see note 22).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

Sustainable Human Settlements Grant

Balance unspent at beginning of year	1,595,782	1,595,782
Transferred to other income	(1,595,782)	-
	-	1,595,782

Conditions still to be met - remain liabilities (see note 22).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Human Settlements Provincial Grant

Current year receipts	196,000,000	-
Conditions met - transferred to revenue	(142,253,940)	-
	53,746,060	-

Conditions still to be met - remain liabilities (see note 22).

This is a conditional grant with a specific purpose to provide for the upgrading of informal settlements.

Mangaung Metropolitan Municipality

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Figures in Rand	2022	2021
41. Government grants & subsidies (continued)		
Urban Settlements Development Grant		
Balance unspent at beginning of year	17,250,742	233,327,552
Surrendered to National Treasury	(13,158,123)	(81,934,934)
Current-year receipts	795,269,000	381,019,000
Conditions met - transferred to revenue	(527,008,026)	(515,160,876)
	272,353,593	17,250,742

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Allocation-in-kind grants

The following grants were allocated in-kind to the municipality as per the Division of Revenue Bill:

Integrated National Electrification Programme (Eskom) Grant	9,006,000	1,112,000
Municipal Systems Improvement Grant	1,260,000	1,200,000
Neighbourhood Development Partnership Grant (Technical Assistance)	100,000	300,000
Regional Bulk Infrastructure Grant	129,615,000	80,000,000
	139,981,000	82,612,000

Purpose of each grant is as follows:

Integrated National Electrification Programme (Eskom) Grant

To implement the Integrated National Electrification Programme by providing capital subsidies to Eskom to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure in Eskom licenced areas.

Municipal Systems Improvement Grant

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation.

Neighbourhood Development Partnership Grant (Technical Assistance)

To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's targeted locations, under-served neighbourhoods, generally townships and rural towns; community safety programmes.

Regional Bulk Infrastructure Grant

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 4 of 2020), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Mangaung Metropolitan Municipality

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42. Public contributions and donations		
Capital donations	2,900,907	-
43. Employee related costs		
Basic salaries and wages	1,182,542,926	1,137,702,306
Contributions to Medical aid	101,042,931	95,015,542
Contributions to Pension funds	177,308,028	171,690,714
Contributions to UIF	7,255,924	6,191,187
Defined benefit plan - Current service costs	18,058,000	22,764,000
Housing benefits and allowances	5,609,307	5,813,955
Leave pay	24,754,924	54,310,679
Overtime, shift and standby allowances	182,066,600	185,008,411
Travel, motor car, accommodation, subsistence and other allowances	110,261,843	112,311,441
	1,808,900,483	1,790,808,235

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43. Employee related costs (continued)

Detailed remuneration of key management

2022	Annual Remuneration	Car and other allowances	Contribution to UIF, Medical Aid and Pension Funds	Leave Pay	Total
City Manager - Adv Mea TB	190,366	42,000	32,170	467,247	731,783
Acting City Manager - Maine TA	218,308	80,341	61,790	-	360,439
Acting City Manager - More SJ	936,963	126,861	11,763	-	1,075,587
Acting City Manager - Nkungwana MG	105,546	41,029	29,252	-	175,827
Chief Financial Officer - Mofokeng S	1,031,719	516,000	72,046	316,289	1,936,054
HOD Corporate Services - Nkaiseng DSR	1,188,956	448,068	302,188	-	1,939,212
HOD Economic and Rural Development - Maine TA	888,544	81,200	222,323	309,102	1,501,169
HOD Engineering Services - Ndlovu M	986,444	437,393	196,065	294,725	1,914,627
HOD Human Settlements - Adv Phaladi MJN	1,060,600	308,512	249,848	194,087	1,813,047
HOD Planning - Mthembu BS	935,375	429,830	229,608	244,406	1,839,219
HOD Social Services - Nkungwana MG	954,528	132,800	226,587	215,652	1,529,567
HOD Waste and Fleet Management - More SJ	471,482	4,800	8,057	273,160	757,499
Head of Police - Kganyane KI	1,198,430	465,620	274,562	-	1,938,612
	10,167,261	3,114,454	1,916,259	2,314,668	17,512,642

Changes to key management during the current financial year:

- Adv Mea TB resigned on 31 July 2021;
- Maine TA was appointed as Acting City Manager for the periods 21 May 2021 to 31 July 2021 and 26 January 2022 to 10 February 2022;
- More SJ was appointed as Acting City Manager for the period 31 July 2021 to 26 January 2022;
- Nkungwana MG was appointed as Acting City Manager for the period 22 February 2022 to 31 March 2022;
- The fixed term contracts for Mofokeng SE, Adv Phaladi MJN, Ndlovu M and Mthembu BS expired on 30 April 2022;
- The fixed term contracts for Maine TA and More SJ expired on 31 March 2022;
- The fixed term contract of Nkungwana MG expired on 28 March 2022.

2021	Annual Remuneration	Car and other allowances	Contribution to UIF, Medical Aid and Pension Funds	Total
City Manager - Adv Mea TB	1,563,389	504,000	319,210	2,386,599
Chief Financial Officer - Mofokeng S	1,222,318	619,200	69,028	1,910,546
HOD Corporate Services - Nkaiseng DSR	1,171,500	448,068	289,246	1,908,814
HOD Economic & Rural Development - Maine TA	1,398,342	139,200	371,329	1,908,871
HOD Engineering Services - Ndlovu M	1,159,730	523,018	226,090	1,908,838
HOD Human Settlements - Adv Phaladi MJN	1,252,063	370,214	286,612	1,908,889
HOD Planning - Mthembu BS	1,124,026	516,455	267,781	1,908,262
HOD Social Services - Nkungwana MG	1,376,828	199,200	332,228	1,908,256
HOD Waste and Fleet Management - More S	1,874,244	19,200	17,710	1,911,154
Head of Police - Kganyane KI	1,177,696	465,620	265,398	1,908,714
Acting HOD Planning - Kholonyane TA	88,770	24,507	21,236	134,513
Acting HOD Social Services - Barnes BJN	78,314	35,040	21,832	135,186
	13,487,220	3,863,722	2,487,700	19,838,642

Changes to key management during the prior financial year:

- Barnes BJ was appointed as Acting HOD: Social Services for the period 21 December 2020 to 5 January 2021;
- Kholonyane TA was appointed as Acting HOD: Planning for the period 17 December 2020 to 11 January 2021.

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44. Remuneration of councillors		
Cell phone allowance	4,514,000	4,297,700
Councillors allowance	48,615,914	46,827,638
Councillors medical aid contributions	464,267	679,718
Councillors pension contributions	855,057	1,637,546
Housing allowance	59,059	74,246
Travel allowance	13,386,645	12,014,475
	67,894,942	65,531,323

In-kind benefits

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

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

The Executive Mayor and Deputy Executive Mayor have two bodyguards on a rotational basis and an official driver at the cost of Council.

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44. Remuneration of councillors (continued)

Analysis of Councillors Remuneration

2022	Councillor Surname and Initials	Councillor allowance	Contributions to Pension and Medical aid	Travel, cellphone and other allowances	Total
Current council as at 30 June 2022					
Executive Mayor	Siyonzana MA	929,102	14,400	272,417	1,215,919
Deputy Executive Mayor	Mothibi-Nkoane MM	755,774	-	232,326	988,100
Speaker	Lockman SB	602,866	-	183,771	786,637
Chief Whip	Nikelo VE	522,104	-	169,942	692,046
MMC: Community and Social Services	Tladi MM	502,407	10,080	165,716	678,203
MMC: Corporate Services	Mosala MT	491,314	10,080	165,716	667,110
MMC: Environmental Management	Matsoetlane MJ	517,931	-	179,546	697,477
MMC: Finance, IDP and Performance Management	Titi-Odili LM	503,087	10,080	165,716	678,883
MMC: Human Settlement	Van der Ross KE	517,931	-	179,546	697,477
MMC: Infrastructure and Public Works	Morake MA	503,087	10,080	165,716	678,883
MMC: Planning and Economic Development	Jonas-Malephane VE	503,087	10,080	165,716	678,883
MMC: Rural Development	Twala PS	517,931	-	179,546	697,477
MMC: Transport & Public Safety	Mogotloane TJ	515,051	2,880	179,546	697,477
S79 Chairperson: Motions and Petitions	Qai A	490,416	9,271	179,546	679,233
S79 Chairperson: Municipal Public Accounts Committee	Mokoakoa MI	483,150	-	165,716	648,866
S79 Chairperson: Public Places & Street Naming	Seleke PL	486,423	10,080	165,716	662,219
S79 Chairperson: Remunerations and Benefits Committee	Nhlapo NA	499,687	-	179,546	679,233
S79 Chairperson: Rules Committee	Mokgothu TKW	211,135	-	71,021	282,156
Previous council till 4 November 2021					
Deputy Executive Mayor	Masoetsa LA	300,126	42,138	108,179	450,443
Speaker	Siyonzana MA	136,074	2,880	57,464	196,418
Chief Whip	Mangcotywa ZE	255,524	40,721	97,110	393,355
MMC: Community and Social Services	Mahase MM	290,485	5,760	97,110	393,355
MMC: Corporate Services	Morake MA	293,809	7,200	110,939	411,948
MMC: Environmental Management	Pongolo XD	255,524	40,721	97,110	393,355
MMC: Finance, IDP and Performance Management	Titi-Odili LM	293,809	7,200	110,939	411,948
MMC: Human Settlement	Thipenyane G	255,524	40,721	97,110	393,355
MMC: Rural Development	Nothnagel J	296,245	-	97,110	393,355
MMC: SMME and Rural Development	Jonas-Malephane VE	293,809	7,200	110,939	411,948
MMC: Spatial Planning and Land Use Management	Nkhabu M	290,485	5,760	97,110	393,355
MMC: Transport & Public Safety	Monyakoana NP	273,795	-	97,110	370,905
S79 Chairperson: Motions and Petitions	Nkoe MJ	247,860	39,673	94,695	382,228
S79 Chairperson: Municipal Public Accounts Committee	Tladi MM	285,778	7,200	108,525	401,503
S79 Chairperson: Public Places & Street Naming	Seleke PL	324,334	5,760	69,149	399,243
S79 Chairperson: Remunerations and Benefits Committee	Shounyana MM	247,860	39,673	94,695	382,228

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Figures in Rand		2022	2021		
44. Remuneration of councillors (continued)					
Section 79 Chairperson: Rules	Mothibi-Nkoane MM	132,882	-	47,348	180,230
Part-time councillors		34,589,508	939,686	13,200,297	48,729,491
		48,615,914	1,319,324	17,959,704	67,894,942
2021	Councillor Surname and Initials	Councillor allowance	Contributions to Pension and Medical aid	Travel, cellphone and other allowances	Total
Executive Mayor	Mlamleli SM	189,851	-	7,400	197,251
Deputy Executive Mayor	Masoetsa LA	981,835	134,163	324,537	1,440,535
Speaker	Siyonzana MA	816,446	17,280	344,783	1,178,509
Chief Whip	Mangcotywa ZE	687,881	120,423	291,329	1,099,633
MMC: Community and Social Services	Mahase MM	804,103	17,280	291,329	1,112,712
MMC: Corporate Services	Morake MA	804,104	17,280	291,329	1,112,713
MMC: Environmental Management	Pongolo XD	696,257	121,719	291,329	1,109,305
MMC: Finance, IDP and Performance Management	Titi-Odili LM	804,104	17,280	291,329	1,112,713
MMC: Human Settlement	Thipenyane G	703,310	122,777	291,329	1,117,416
MMC: Rural Development	Nothnagel J	821,384	-	291,329	1,112,713
MMC: SMME and Rural Development	Jonas VE	804,104	17,280	291,329	1,112,713
MMC: Spatial Planning and Land Use Management	Nkhabu M	804,664	17,280	291,329	1,113,273
MMC: Transport & Public Safety	Monyakoana NP	821,384	-	291,329	1,112,713
S79 Chairperson: Geographical and Street Naming Committee	Ratsiu NA	57,775	8,666	23,674	90,115
S79 Chairperson: Motions and Petitions	Nkoe MJ	675,402	118,590	284,085	1,078,077
S79 Chairperson: Municipal Public Accounts Committee	Tladi MM	780,009	17,280	284,085	1,081,374
Section 79 Chairperson: Public Places & Street Naming	Seleke PL	366,624	-	69,149	435,773
S79 Chairperson: Remunerations and Benefits Committee	Shounyana MM	675,401	118,590	284,085	1,078,076
Section 79 Chairperson: Rules	Mothibi-Nkoane MM	797,289	-	284,085	1,081,374
Part-time councillors		33,735,711	1,451,376	11,567,248	46,754,335
		46,827,638	2,317,264	16,386,421	65,531,323

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.

45. Depreciation and amortisation

Property, plant and equipment	672,472,697	717,674,320
Living resources	204,150	187,064
Intangible assets	540,228	530,971
	673,217,075	718,392,355

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

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Figures in Rand	2022	2021
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46. Impairment loss

Impairments

Property, plant and equipment	25,514,271	2,731,628
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The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.

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

- (a) Implementation of Projects placed on hold,
- (b) Damaged fleet still to be sold at auction; and
- (c) Vandalism.

47. Finance costs

Borrowings	74,805,005	87,707,685
Employee benefit obligation	56,060,000	47,790,990
Finance lease obligation	1,774,713	13,457,486
Trade and other payables	27,753,702	2,782,029
Unwinding of provisions	72,036,168	32,419,764
	232,429,588	184,157,954

Prior year figures were restated due to errors identified in the current financial year, refer to note 70.

48. Auditors' remuneration

Fees	20,008,499	20,401,316
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49. Debt impairment and bad debt write off

Debt impairment - Consumer receivables	1,654,817,076	790,570,263
Debt impairment - Traffic fine receivables	3,039,891	5,739,806
Bad debts written off	122,452,573	8,542,361
	1,780,309,540	804,852,430

During the financial year, the write off amounting to R 122,452,573 (2021: R 6,855,912) related to the write off of indigent consumers' debt as at the date of registration on the indigent register. The amounts exclude VAT.

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50. General expenses		
Animal costs	191,521	106,287
Auditors remuneration	20,008,499	20,401,316
Bank charges and commissions	16,152,632	14,665,195
Bursaries to employees	1,695,679	1,766,420
Chemicals	11,328,361	8,432,467
Consumables	6,099,427	13,909,236
Electricity	155,380,854	118,147,580
Fuel and oil	19,654,370	16,047,560
Indigent relief - Free electricity	26,989,234	24,039,627
Insurance	24,246,788	21,684,159
Learnerships and internships	1,519,900	2,196,814
Marketing and advertising	1,406,056	1,494,483
Motor vehicle expenses	9,038,765	6,937,267
Operating lease expenditure	38,618,655	19,544,605
Postage and courier	4,488,532	6,898,748
Printing and stationery	1,357,260	1,102,658
Remuneration of ward committees	2,442,489	5,219,827
Royalties and license fees	20,485,028	24,564,973
Skills development levy	15,856,504	12,676,636
Subscriptions and membership fees	16,465,066	16,311,809
Sundry expenses	2,107,772	2,217,716
Telephone and fax	5,684,032	10,116,685
Title deed search fees	133,822	2,062,882
Transport and freight	135,587	1,782,379
Travel - local	1,341,873	239,573
Uniforms	12,905,046	1,957,845
Water research	5,123,055	3,880,906
Workmen's compensation	117,710	307,854
	420,974,517	358,713,507
Prior year figures were restated due to errors identified in the current financial year, refer to note 70.		
51. Bulk purchases		
Water purchases	835,315,570	743,539,271
Water losses		
Units purchased (KL)	80,807,354	78,528,375
Units sold (KL)	(44,137,655)	(43,297,816)
Total loss (KL)	36,669,699	35,230,559
Rand value of loss		
Units loss (KL)	36,669,699	35,230,559
Rand value per unit (KL)	11.09	9.57
Total rand value for loss	406,666,962	337,156,450
Percentage Loss:		
Technical losses	45 %	45 %

Material bulk water losses are not recoverable. The main reason for incurring water losses relate to burst water pipes, leaks and illegal water connections.

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52. Contracted services		
Outsourced Services		
Burial services	1,251,850	1,065,530
Meter management services	7,487,064	7,393,011
Refuse removal services	19,651,166	1,897,744
Sewerage services	13,131,855	15,323,199
Consultants and Professional Services		
Business and advisory services	75,138,189	72,908,940
Infrastructure and planning services	10,541,619	21,106,356
Legal costs	35,426,539	70,092,405
Contractors		
Catering services	231,448	64,735
Electrical	1,263,190	1,434,647
Gardening services	454,741	398,276
Repairs and maintenance	253,836,918	204,240,863
Safeguard and security services	88,491,544	91,110,093
Other contracted services	1,937,087	3,451,279
	508,843,210	490,487,078
Prior year figures were restated due to errors identified in the current financial year, refer to note 70.		
53. Fair value adjustments		
Investment property (Fair value model)	15,032,645	(321,453)
Non-current receivables (Designated as at fair value through surplus or deficit)	12,209	7,973
	15,044,854	(313,480)
54. Loss on disposal of assets and liabilities		
Losses arising from the disposal of property, plant and equipment	8,197,606	27,794,007
Prior year figures were restated due to errors identified in the current financial year, refer to the prior period error note 70.		
55. Loss on revaluation of assets		
Losses arising from the revaluation of property, plant and equipment	(113,405,317)	-

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56. Cash generated from operations		
Deficit	(676,871,419)	(13,066,233)
Adjustments for:		
Depreciation and amortisation	673,217,075	718,392,355
Loss on disposal of assets	8,197,606	27,794,007
Fair value adjustments	(15,044,854)	313,480
Impairment loss	25,514,271	2,731,628
Movements in retirement benefit liabilities	2,837,000	80,470,371
Loss on revaluation of assets	113,405,317	-
Public contributions and donations	(2,900,907)	-
Unwinding of FRESCHO liability	(14,127,896)	(14,127,897)
Unwinding of Land availability liability	(15,837,467)	(15,837,467)
Unwinding of Provisions	72,036,168	32,419,764
Finance charges	76,579,718	101,165,171
Living resources	(444,200)	(334,600)
Interest received	(155,681,661)	(139,304,199)
Changes in working capital:		
Inventories	(22,779,299)	(23,109,810)
Other receivables from exchange transactions	983,270	(4,204,255)
Consumer debtors from exchange transactions	240,368,379	(168,930,218)
Consumer receivables from non-exchange transactions	427,585,081	106,588,948
Other receivables from non-exchange transactions	186,055	(549,997)
Payables from exchange transactions	68,561,411	130,022,850
VAT	(83,901,800)	40,943,610
Payables from non-exchange transactions	(28,868,889)	72,818,924
Unspent conditional grants and receipts	535,376,336	(400,566,353)
Consumer deposits	488,755	(248,237)
Centlec intercompany loan	154,582,521	122,354,900
	1,383,460,571	655,736,742

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57. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Consumer receivables from exchange transactions	-	871,291,931	-	871,291,931
Other receivables from exchange transactions	-	74,359,142	-	74,359,142
Gentlec intercompany loan	-	806,540,231	-	806,540,231
Gentlec receivables	-	857,958,306	-	857,958,306
Cash and cash equivalents	-	728,134,482	-	728,134,482
Non-current receivables	124,259	28,697	-	152,956
Investment in controlled entity	-	-	100	100
	124,259	3,338,312,789	100	3,338,437,148

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1,446,619,623	1,446,619,623
Finance lease obligation	12,096,615	12,096,615
Borrowings	668,894,849	668,894,849
	2,127,611,087	2,127,611,087

2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Consumer receivables from exchange transactions	-	1,111,660,310	-	1,111,660,310
Other receivables from exchange transactions	-	75,342,412	-	75,342,412
Gentlec intercompany loan	-	799,240,928	-	799,240,928
Gentlec receivables	-	864,613,015	-	864,613,015
Cash and cash equivalents	-	195,536,846	-	195,536,846
Investment in controlled entity	-	-	100	100
Non-current receivables	112,050	17,495	-	129,545
	112,050	3,046,411,006	100	3,046,523,156

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1,351,329,960	1,351,329,960
Finance lease obligation	50,052,867	50,052,867
Borrowings	776,430,973	776,430,973
	2,177,813,800	2,177,813,800

Comparative figures were restated due to prior period errors affecting other financial line items. Refer to note 70 for further detail on prior period errors.

Payable from non-exchange transactions and consumer deposits were not disclosed as financial instruments, due to the line items not satisfying the updated requirements of GRAP 104.

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58. Commitments

Commitments in respect of capital expenditure

Already contracted for but not provided for

• Other assets	-	897,925
• Infrastructure assets	248,788,169	194,412,266
	248,788,169	195,310,191

The capital expenditure will be financed from

Unspent conditional grants	248,788,169	36,829,318
Own funding	-	158,480,873
	248,788,169	195,310,191

Prior year commitments amounting to R2,215,600 were restated due to the restatements of prior year accruals.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	6,382,239	6,573,751
- in second to fifth year inclusive	17,006,180	21,690,801
- later than five years	17,013,667	18,711,284
	40,402,086	46,975,836

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 4% to 12% per year with the agreements varying between 2 and 50 years.

Rental income, for these agreements, to the value of R33,989,260 (2021: R33,770,709) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease.

There are no purchase options or contingent rent during the year.

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59. Contingencies

Contingent liabilities

Guarantees

Housing guarantees	494,069	775,372
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The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed are the possible outflow amounts.

Other contingent liabilities

Claims by individuals due to property damages in various incidents	14,007,022	446,083
Claims by individuals due to various incidents	55,272,005	127,534,786
	69,279,027	127,980,869

The entity is involved in the abovementioned classes of pending claims. These include labour, insurance claims, breaches in supply chain management and other small related claims. All the claims are being contested based on legal advice. The certainty and timing the outflow of these liabilities are uncertain. The amounts disclosed are possible outflow amounts.

Legal firms assisting the municipality are rate based and therefore the legal cost to the municipality in such matters cannot be determined.

Contingent assets

Guarantees

Quarry rehabilitation guarantee	8,842,597	7,454,252
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Petra quarry is owned by the municipality but is leased and operated by a private firm. It should be noted that the lease agreement with the current operator states that the tenant is responsible for rehabilitation costs. However, in the event that the tenant cannot fulfil the rehabilitation duties, the municipality were guaranteed for the amount of R 8,842,597 (2021: R7,454,252) during the 2022 evaluations, to ensure that the Petra quarry will be rehabilitated. Perta Quarry has a financial guarantee in place that covers rehabilitation. This was renewed on 04 November 2021.

Prior period error:

Prior year figures relating to contingent assets were restated due to errors identified in the current financial year for prior years, refer to note 70.

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60. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report paragraph 5 for detail on the accounting officers during the year.

Controlled entities

Centlec (SOC) Limited - Refer to note 15

Members of key management

Refer to note 43

Members of the mayoral committee

Refer to note 44

The entity was placed under administration under Section 139(5)(a) and 139(5)(c) of the Constitution of the Republic of South Africa effective from 1 January 2020, and as per the terms of reference, the administrators have significant influence over the metro.

Thus, during this period of temporary control, the Metro (and any entities it controls) is required to include as per GRAP 20 all related party disclosures in its financial statements from the date that it was placed under administration.

The administrative team is comprised of the following members effective from 1 January 2020:

1. Adv. Mzwakhe Mofokeng – Office of the Premier.
2. Masechaba Sising – Provincial Accountant General & CA.
3. Dineo Mokheseng – Provincial COGTA.
4. Ernest Mohlahlo – Acting Head Public Works & Infrastructure.
5. Thomas Lindelo Mkaza – Vast experience in local government.
6. Thembinkosi Mawonga - Vast experience in local government (from 3 May 2021).
7. Luvuyo Ntoyi - Vast experience in local government (from 3 May 2021).

In addition to the above National Cabinet requested on the 06 April 2022 for National Treasury to intervene in the affairs of Mangaung Metropolitan Municipality. The Minister for Finance approved the national intervention in terms of section 139(7) of the Constitution of the Republic of South Africa Act, 1996 ("the Constitution") read with section 150 of the MFMA, on the 26th of April 2022 and was published on 28 April 2022.

The interim intervention team is comprised of the following members and their assumed positions:

1. Eliot Maseko - Interim National Cabinet Representative
2. Tebogo Motlshuping (National CoGTA) - Acting City Manager
3. Timothy Sediti (National Treasury) - Acting CFO
4. Adv Nkateko Mpangane (National CoGTA) - Acting HOD Corporate services
5. Wallace Rodney McLeod - Acting HOD Engineering
6. Ngaka Rosins Mosehana-Dumalisile (Department of Human Settlements) - Acting HOD Human Settlement
7. Xolilizwe Clement Manyungwana (Department of Transport) - Fleet Management
8. Francois Nei (Department of Forestry Fisheries and the Environment) - Waste Management

The National intervention team were as follows:

1. Maseko P - National Cabinet Representative
2. Mewalall S - Finance Specialist
3. Mngomane E - Service Delivery Specialist
4. Mapholoba L - Governance Specialist

There were no related party transactions with any of the administrators listed above during the current or prior year. All transactions with provincial and national departments were within normal operating parameters.

Related party balances

Investment in controlled entities

Centlec (SOC) Limited	100	100
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Refer to note 15 for further details for the above investments.

Loan accounts - Owning by related parties

Centlec (SOC) Limited - Capital advances	54,348,938	61,003,647
Centlec (SOC) Limited - Intercompany loan	806,540,231	799,240,928
Centlec (SOC) Limited - Shareholders loan	803,609,368	803,609,368

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60. Related parties (continued)

Refer to notes 9 and 16 for further details for the above loan accounts.

During the 2020/21 financial year it was resolved that consumer debtor balances will be offset against the intercompany accounts.

Related party transactions

Interest received from related parties

Centlec (SOC) Limited - Capital advances	(4,270,255)	(4,908,298)
Centlec (SOC) Limited - Intercompany loan	(54,302,049)	(55,112,213)
Centlec (SOC) Limited - Shareholders loan	(150,956,860)	(133,787,468)

Expenses paid to / (income received from) related parties

Centlec (SOC) Limited - Grants paid - Urban Settlements Development Grant	24,753,070	43,760,976
Centlec (SOC) Limited - Free basic electricity	22,919,129	19,615,510
Centlec (SOC) Limited - Streetlight electricity consumption	91,172,917	78,338,714
Centlec (SOC) Limited - Municipal building electricity consumption	83,663,961	38,541,673
Centlec (SOC) Limited - Capital advance redemption	(6,654,710)	(6,697,009)
Centlec (SOC) Limited - Fuel issued to Mangaung Metropolitan Municipality by Centlec (SOC) Ltd	297,046	-

Receipts on behalf of related parties

Centlec (SOC) Limited - Bank Receipts	(11,689)	(2,843)
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Transfers received from related parties

Centlec (SOC) Limited - Cash transfers	-	(6,200,000)
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Refer to note 38 for further details for Interest received from related parties.

Remuneration of management

Councillors / Mayoral committee members:

Refer to note 44 for details relating to remuneration of councillors.

Councillors also accounts with the entity for the provision of normal municipal services. These are not disclosed as related parties as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.

Executive management:

Refer to note 43 for details relating to the remuneration of executive management.

Executive management have accounts with the entity for the provision of normal municipal services. These are not disclosed as related parties as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.

No further transactions took place between the entity and key management personnel or their close family members during the reporting period.

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61. 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.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

The entity is exposed to a number of guarantees for housing loans to employees. Refer to note 59 for additional details.

At 30 June 2022	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	198,773,523	470,121,326	-
Finance lease obligations	12,496,076	-	-
Payables from exchange transaction	1,721,059,444	-	-
Payables from non-exchange transactions	307,755,243	-	-
	2,240,084,286	470,121,326	-
At 30 June 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	134,804,868	587,342,127	54,283,979
Finance lease obligations	38,059,718	14,710,004	-
Payables from exchange transaction	1,652,498,033	-	-
Payables from non-exchange transactions	336,624,132	-	-
	2,161,986,751	602,052,131	54,283,979

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61. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. 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.

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

Financial instrument	2022	2021
Consumer receivables from exchange transactions	871,291,931	1,111,660,310
Other receivables from exchange transactions	74,359,142	75,342,412
Centlec intercompany loan	806,540,231	799,240,928
Centlec receivables	857,958,306	864,613,015
Cash and cash equivalents	728,134,482	195,536,846
Investment in controlled entity	100	100
Non-current receivables - at fair value	124,259	112,050
Non-current receivables - at amortised cost	28,697	17,495

These balances represent the maximum exposure to credit risk.

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

Market risk

Interest rate risk

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

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

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

- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2022 and 2021, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

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62. Going concern

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

During the prior year, the entity was placed under section 139(5)(a) & (c) of the Constitution due to financial constraints. A financial recovery plan has been put in place and is closely monitored by Provincial Government. Adjustments were made to the budget of the current and next three financial years to ensure that financial stability is reached and maintained.

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 11,987,009,667 (2021: R 12,645,754,896) and that the municipality's total assets exceed its total liabilities by R 12,873,372,637 (2021: R 13,556,067,869).

The entity had a surplus/(deficit) of R (676,871,419) (2021: R (13,066,233)) for the year. The current assets exceed the current liabilities by R 553,836,701 (2021: R 677,797,054).

As disclosed in note 19, the average repayment term of suppliers were 261 days (2021: 274 days) and the outstanding amount owed for bulk water supplies is R 568,836,830 (2021: R 670,029,022) which was long overdue. These events or conditions, along with other matters as set forth in this note indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

The entity incurred material water losses, refer to note 51 for further detail.

The entity provided for material impairments for receivables from exchange and non-exchange transactions, refer to notes 49 for further details.

The entity experienced a positive cash movement during the current year, refer to the Cash Flow Statement.

The municipality is experiencing labour difficulties and vacancies in key positions (91% vacancy rate). This places strain on the municipality's ability to effectively govern its financial viability, while negatively impacting governance and accountability.

63. Events after the reporting date

The municipality embarked on a process of compiling the 2022 to 2024 indigent register to ensure implementation of free basic services to deserving and qualifying poor households in line with the Council approved indigent policy.

During a special council meeting held on 19 August 2022 it has been resolved that additional indigent accounts should be included in the 2022 indigent register for write-off in the 2022 financial year.

The municipality increased indigent debt write-off for the 2022 financial year by R141,692,461, refer to note 49 for further information.

The additional write-off was included in the 2022 financial year's transactions.

64. Unauthorised expenditure

Opening balance	4,003,897,417	3,433,872,479
Add: Unauthorised expenditure	1,253,981,315	570,024,938
Closing balance	5,257,878,732	4,003,897,417

Unauthorised expenditure per department

Unauthorised expenditure - OPEX		
Corporate Services	127,891,731	212,774,925
Economic and Rural Development	-	534,378
Engineering Services	388,436,939	281,981,553
Finance	13,443,234	-
Human Settlement and Housing	15,188,444	-
Planning	-	6,043,679
Social Services	16,112,888	21,315,547
Strategic Services & Service Delivery	852,651	256,476
Waste and Fleet Management	77,627,263	47,118,380
Public Safety	20,666,553	-
Water Services	560,315,820	-
Unauthorised expenditure - CAPEX		
Finance	68,920	-
Waste and Fleet Management	33,376,872	-
	1,253,981,315	570,024,938

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64. Unauthorised expenditure (continued)

Disciplinary steps taken/criminal proceedings

No investigations were performed or disciplinary steps taken during the year.

65. Fruitless and wasteful expenditure

Opening balance	101,367,299	81,672,403
Add: Fruitless and wasteful - current year	83,931,856	19,694,896
Closing balance	185,299,155	101,367,299

Disciplinary steps taken/criminal proceedings

No investigations were performed or disciplinary steps taken during the year.

Incidents identified - 2022

Amount

Interest paid to The Auditor General due to late payments	135,167
Interest paid to Eskom SOC Ltd due to late payments	114,783
Interest paid to the Provincial Department of Police, Roads and Transport due to late payment	66,001
Interest paid to Modderivier Kalkveld WGV due to late payments	36,868
Interest paid to Telkom SA Ltd due to late payments	225,747
Interest paid to the SABC due to late payments	636
Interest due to various court orders	1,609,439
Expenditure incurred relating to the Mangaung Metro Police Department	4,543,030
Overpayment of councillors allowances	24,228
Overpayment of suppliers	2,029,155
Interest paid Bloemwater due to late payments	23,731,624
Performance audit	51,415,178
	83,931,856

Incidents identified - 2021

Amount

Interest paid to ABSA due to late payment	140,560
Interest paid to The Auditor General due to late payments	42,919
Interest paid to Eskom SOC Ltd due to late payments	431,956
Interest paid to the Provincial Department of Police, Roads and Transport due to late payment	580,439
Interest paid to Telkom SA Ltd due to late payments	54,078
Interest and penalties paid to SARS on PAYE, SDL and UIF	5,365
Interest paid to Modderivier Kalkveld WGV due to late payments	10,170
Lawyers' fees and interest due to various court orders	691,864
Overpayment of councillors allowances	132,380
Overpayment of suppliers	698,345
IPTN projects where service providers claimed extension of time	16,906,820
	19,694,896

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66. Irregular expenditure		
Opening balance	2,739,720,400	2,548,875,544
Add: Irregular Expenditure - current year	163,199,566	190,844,856
Add: Irregular Expenditure - prior year expenditure identified in the current year	22,228,405	-
Closing balance	2,925,148,371	2,739,720,400
Disciplinary steps taken/criminal proceedings		
No investigations were performed or disciplinary steps taken during the year.		
Incidents/cases identified in the current and prior year include those listed below:		
Description		
Non-compliance with SCM processes	151,526,519	9,231,468
Non-compliance with SCM processes - Prior year expenditure identified in the current year	22,228,405	-
Service providers where contracts were extended without council approval	-	181,481,008
Contracts declared as irregular expenditure in the prior year	11,648,819	-
Overpayment of Councillors	24,228	132,380
	185,427,971	190,844,856
67. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription	16,333,276	15,659,900
Amount paid - current year	(16,333,276)	(15,659,900)
	-	-
Contributions to organised local government consists of annual subscriptions paid to SALGA.		
Audit fees		
Opening balance	6,542,987	3,829,958
Amount paid - previous years	(6,542,987)	(3,829,958)
Current year audit fee	20,008,499	20,435,442
Amount paid - current year	(18,379,260)	(13,892,455)
	1,629,239	6,542,987
Amount excluding VAT.		
PAYE, UIF and SDL		
Opening balance	29,297,326	26,378,925
Amount paid - previous years	(29,339,332)	(26,378,925)
Current year declarations	351,854,756	336,727,867
Amount paid - current year	(315,356,735)	(307,430,541)
	36,456,015	29,297,326
Pension and Medical Aid Deductions		
Opening balance	36,002,391	32,794,077
Amount paid - previous years	(36,002,391)	(32,794,077)
Current year payroll deductions and council contributions	434,625,309	416,173,651
Amount paid - current year	(398,846,996)	(380,171,260)
	35,778,313	36,002,391

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67. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	153,696,392	69,794,592
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

Refer to Appendix A for details relating to Councillors arrear debt.

Grants withheld

The following amounts were withheld by National Treasury due to the slow implementation of projects. The amounts were subsequently forfeited.

Expanded Public Works Programme Incentive Grant	364,394	-
Integrated City Development Grant	3,714,313	77,000
Neighbourhood Development Grant	1,142,169	5,595,000
Public Transport Infrastructure and Network Systems Grant	-	49,777,000
Urban Settlement Development Grant	13,158,123	373,574,000
	18,378,999	429,023,000

68. 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.

For the current financial year there were instances where goods and services were procured and deviated from the normal Supply Management Policy, as provided for in section 15.8.3 of the Supply Chain Management Policy:

Class of deviation	Number of deviations	2022
Burial services	300	1,248,409
General repairs and maintenance of agent products	161	6,746,863
Impractical	5	2,656,754
Newspaper advertisements	21	683,586
Sole supplier	4	10,422,736
Strip and quote	12	756,254
	503	22,514,602

Class of deviation	Number of deviations	2021
Emergency	10	6,465,451
Sole supplier	9	4,680,163
	19	11,145,614

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69. Change in estimate

Property, plant and equipment

For the following classes of property, plant and equipment the remaining useful lives were adjusted to a minimum remaining useful life of 3 years.

It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

The effect of the change has resulted in a change in depreciation as follows:

Asset Class Depreciation	Depreciation before change in estimate	Change in Depreciation	Depreciation after change in estimate
Buildings	4,641,887	(1,545,884)	3,096,003
Community - Landfill sites and quarries	54,815,154	(18,117,271)	36,697,883
Community - Other	14,597,439	(4,061,352)	10,536,087
Fleet	9,765,272	(6,268,929)	3,496,343
Infrastructure - Roads and roads related	124,462,284	(40,850,104)	83,612,180
Infrastructure - Sanitation network	8,526,918	(2,814,687)	5,712,231
Infrastructure - Water meters	1,693,505	(693,053)	1,000,452
Infrastructure - Water network	9,836,498	(3,271,440)	6,565,058
Intangible assets	153,343	(51,068)	102,275
Other property, plant and equipment	7,775,145	(2,366,781)	5,408,364
	236,267,445	(80,040,569)	156,226,876

Provisions

The municipality's accounting policy requires the review of the useful lives of quarries at least at each financial year-end. The remaining useful lives were adjusted to a minimum remaining useful life of 3 years.

The revisions were accounted for prospectively as a change in accounting estimates and as a result, the total balance of the provision for the rehabilitation of quarries for the current financial year has been classified as non-current liabilities.

As a result, non-current liabilities relating to provisions have increased by R520,287,727 and current liabilities relating to provisions have decreased by R520,287,727.

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70. Prior period errors and change in accounting policy

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments and changes in accounting policy:

Financial Position	As previously reported	Correction of errors	Reclassification	Change in accounting policy	Restated 2021
Current Assets					
Inventories	533,521,831	(54,715)	-	-	533,467,116
Other receivables from exchange transactions	64,207,395	11,135,017	-	-	75,342,412
VAT receivable	64,811,907	4,982,685	-	-	69,794,592
Non-Current Assets					
Property, plant and equipment	11,949,244,132	(75,910,150)	-	(2,791,001)	11,870,542,981
Intangible assets	8,606,778	1,202,387	-	-	9,809,165
Living resources	-	-	-	2,791,001	2,791,001
Non-current receivables	171,654	(42,109)	-	-	129,545
Current Liabilities					
Payables from exchange transactions	(1,647,083,346)	(5,414,687)	-	-	(1,652,498,033)
Borrowings	(160,165,318)	-	706,014	-	(159,459,304)
Employee benefit obligation	-	-	(35,379,000)	-	(35,379,000)
Non-Current Liabilities					
Finance lease obligation	(35,938,140)	(2,283,512)	-	-	(38,221,652)
Borrowings	(616,519,976)	254,320	(706,014)	-	(616,971,670)
Employee benefit obligation	(582,996,000)	-	35,379,000	-	(547,617,000)
Reserves					
Revaluation reserve	(887,501,956)	8,079,360	-	-	(879,422,596)
Accumulated surplus	(12,703,806,300)	58,051,404	-	-	(12,645,754,896)
	(4,013,447,339)	-	-	-	(4,013,447,339)

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70. Prior period errors and change in accounting policy (continued)

Financial Performance 2021	As previously reported	Correction of errors	Reclassification	Change in accounting policy	Restated 2021
Revenue					
Rental of facilities and equipment	(48,634,302)	87,724	-	-	(48,546,578)
Living resources	-	-	(334,600)	-	(334,600)
Public contributions and donations	(334,600)	-	334,600	-	-
Expenditure					
Depreciation and amortisation	717,968,499	423,856	-	-	718,392,355
Finance costs	151,898,824	(160,634)	32,419,764	-	184,157,954
Contracted services	454,064,206	36,422,872	-	-	490,487,078
General expenses	361,684,412	1,850,347	(4,821,252)	-	358,713,507
Inventory losses/write-down	-	-	4,821,252	-	4,821,252
Fair value adjustments	32,733,244	-	(32,419,764)	-	313,480
Loss on disposal of assets and liabilities	24,188,328	3,605,679	-	-	27,794,007
	1,693,568,611	42,229,844	-	-	1,735,798,455

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70. Prior period errors and change in accounting policy (continued)

The details of the correction of errors above and their effect on the comparative figures are explained below:

Inventories:

The comparative figure for inventories was restated due to the transfer of land which was not accounted for in previous financial years. Consequently, inventories decreased to R533,467,116.

Other receivables from exchange transactions:

The comparative figure for other receivables from exchange transactions was restated due to errors identified in the deferred lease balance. Furthermore, the non-current portion of other receivables from exchange transactions has been reclassified to non-current receivables. Consequently, other receivables from exchange transactions increased to R75,342,412.

VAT receivable:

The comparative figure for VAT receivable was restated due to various reasons, which include:

- The effect of a VAT recovery process that was undertaken during the current financial year; and
- The effect of accruals that were not accounted for in the prior year

Consequently, VAT receivable increased to R69,794,592.

Property, plant and equipment:

The comparative figure for property, plant and equipment was restated due to various reasons, which include:

- Derecognition of assets which have been previously disposed of;
- Derecognition of expenditure items that were incorrectly capitalised as assets;
- Recognition of assets that were previously classified as expenditure;
- Recognition of assets that were unbundled from completed projects; and
- Reclassification of zoo animals from property, plant and equipment to living resources

Consequently, property, plant and equipment decreased to R11,870,542,981.

Intangible assets:

The comparative figure for intangible assets was restated due to reclassifications of items previously disclosed as property, plant and equipment. Consequently, intangible assets increased to R9,809,165.

Non-current receivables:

The comparative figure for non-current receivables was restated due to the reclassification of the non-current portion of other receivables from exchange transactions. Consequently, non-current receivables decreased to R129 545.

Payables from exchange transactions:

The comparative figure for payables from exchange transactions was restated due to various reasons, which include:

- Accounting for accruals that were identified during the current financial year that relate to the previous financial year; and
- Correction of accruals that were incorrectly raised during the previous financial year

Consequently, payables from exchange transactions increased to R1,652,498,033.

Borrowings:

The comparative figure for borrowings was restated due to an error in the calculation of the closing balance during the previous financial year. Furthermore, R706 013 was incorrectly recognised as part of the current portion of the borrowings. Consequently, the current portion of borrowings decreased to R159,459,304 and the non-current portion increased to R616,971,669.

Employee benefit obligation:

The comparative figure for employee benefit obligation was restated due to the reclassification of the current portion from the non-current portion. Consequently, the current portion of employee benefit obligation increased to R35,379,000 and the non-current portion decreased to R547,617,000.

Finance lease obligation:

The comparative figure for finance lease obligations was restated due to an error in calculation of the closing balance during the previous financial year. Consequently, finance lease obligations increased to R38,221,652.

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70. Prior period errors and change in accounting policy (continued)

Revaluation reserve:

The comparative figure for the revaluation reserve was restated due to the effect of the prior period errors on property, plant and equipment. Consequently, the revaluation reserve decreased to R879,422,596.

Accumulated surplus:

The comparative figure for the accumulated surplus was restated due to the cumulative effect of the various prior period errors. Consequently, the accumulated surplus decreased to R12,645,754,895.

Rental of facilities and equipment:

The comparative figure for rental of facilities and equipment was restated due to errors identified in the deferred lease balance. Consequently, rental of facilities and equipment decreased to R48,546,578.

Living resources:

The comparative figure for living resources was restated due to the reclassification of the amount from public contributions and donations. Consequently, living resources increased to R334 500.

Public contributions and donations:

The comparative figure for public contributions and donations was restated due to the reclassification of the amount to living resources. Consequently, public contributions and donations decreased to Rnil.

Depreciation and amortisation:

The comparative figure for depreciation and amortisation was restated due to the effect of the prior period errors on property, plant and equipment. Consequently, depreciation and amortisation increased to R718,392,355.

Finance costs:

The comparative figure for finance cost was restated due to the effect of the prior period errors on payables from exchange transactions and borrowings. Furthermore, the unwinding of provisions was reclassified from fair value adjustments to finance cost. Consequently, finance cost increased to R184,157,954.

Contracted services:

The comparative figure for contracted services was restated due to the effect of the prior period errors on VAT receivable, payables from exchange transactions and property, plant and equipment. Consequently, contracted services increased to R490,487,078.

General expenses:

The comparative figure for general expenses was restated due to the effect of the prior period errors on VAT receivable and payables from exchange transactions. Furthermore, inventory losses/write-downs were reclassified from general expenses. Consequently, general expenses decreased to R358,713,507.

Inventory losses/write-downs:

The comparative figure for inventory losses/write-downs was restated due to the reclassification of the amount from general expenses. Consequently, inventory losses/write-downs increased to R4,821,252.

Fair value adjustments:

The comparative figure for fair value adjustments was restated due to the reclassification of the unwinding of provisions to finance cost. Consequently, fair value adjustments decreased to R313 480.

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70. Prior period errors and change in accounting policy (continued)

Loss on disposal of assets and liabilities:

The comparative figure for general expenses was restated due to the effect of the prior period errors on property, plant and equipment. Consequently, the loss on disposal of assets and liabilities increased to R27,794,007.

Contingent Assets:

The comparative figure for contingent assets was restated due to the contingent asset relating to the quarry rehabilitation guarantee not being previously disclosed. Consequently, contingent assets increased to R7,454,252.

Financial instruments:

Payables from non-exchange transactions and consumer deposits were removed from the financial instruments disclosure due to not meeting the definition of a financial instrument.

The details of the change in accounting policy above and its effect on the comparative figures are explained below:

Change in accounting policy - Living resources

The comparative figure for living resources was restated due to the adoption of *GRAP 110 - Living and Non-living Resources* during the current financial year. The change in accounting policy was applied retrospectively. Consequently, living resources increased to R2,791,001.

71. Budget differences

Material differences between budget and actual amounts

The following are explanations for material variances of more than 10% between budget and actual amounts.

Financial Performance:

71.1 Rental of facilities and equipment:

The variance is due to higher use of municipal facilities than anticipated and higher collection of rental income.

71.2 Other income and exchange transactions:

The variance is due to lower revenue collected for rendering of services than anticipated.

71.3 Interest received from exchange transactions:

The variance is due to an increase in accounts receivable, resulting in an increase in interest received from exchange transactions.

71.4 Dividends received:

Immaterial difference amount.

71.5 Interest received from non-exchange transactions:

The variance is due to an increase in accounts receivable, resulting in an increase in interest received from non-exchange transactions.

71.6 Government grants and subsidies (Operational):

The variance is due to additional funding that was received later during the financial year.

71.7 Public contributions and donations:

Immaterial difference amount.

71.8 Fines, penalties and forfeits:

The variance is mainly due to hampered performance regarding the implementation of the traffic management system.

71.9 Living resources:

Immaterial difference amount.

71.10 Impairment loss, depreciation and amortisation:

The entity did not expect to lose any value in assets through impairment and thus did not budget for this type of expenditure.

71.11 Finance cost:

The variance is due to insufficient budget for borrowings and the employee benefit obligation.

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71. Budget differences (continued)

71.12 Bulk purchases:

The variance is due to the high increases in tariffs charged by bulk water supplier and the unexpected water losses incurred due to aging water infrastructure.

71.13 Contracted services:

The variance is mainly due to increased repairs and maintenance performed during the year and strike actions by employees.

71.14 Grants and subsidies paid:

The variance was mainly due to slow implementation of capital projects caused by continuous change in leadership.

71.15 General expenses:

The variance is due to increased costs of electricity and higher cost incurred in operating lease expenditures.

71.16 Fair value adjustments:

The variance is mainly due to derecognitions performed on land, downwards revaluing of water meters, quarries and landfill sites.

71.17 Actuarial gains:

The variance is due to unplanned estimates from actuaries

71.18 Loss on revaluation of assets:

The variance is due to revaluations performed on property, plant and equipment, and as such the entity has not budgeted for this kind of transaction.

71.19 Inventory losses:

Immaterial difference amount.

71.20 Government grants and subsidies (Capital):

The variance is mainly due to an unexpected grant received, Human Settlements Provincial Grant, in March 2022.

Financial Position:

71.21 Current liabilities:

The variance is mainly due to an increase in bulk water purchases, comprising of the price per kilolitre as well as the increase in quantity.

71.22 Non-current liabilities:

The variance is due to under budgeted changes to finance leases, borrowings and the reduction in the liabilities incurred on service concession assets.

Reserves:

71.23 The variance is due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and financial position.

Cash flow:

71.24 The variance is due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and financial position.

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72. Segment information

General information

Identification of segments

The municipality considers internal sources of information in identifying reportable segments. These include the IDP, SDBIP, Budget and monthly and quarterly reporting.

For management purposes, the municipality is organised and operates in nine key functional segments (or business units). To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Segments were aggregated for reporting purposes.

Revenue and expenditure relate to segments are allocated at a transactional level.

Aggregated segments

The municipality operates throughout the Free State Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the Free State were sufficiently similar to warrant aggregation.

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

Types of goods and/or services by segment

Corporate Services

Provision of effective strategic leadership and management to departments, ensures and oversee that all directorates are provided with adequate support in line with the mandate, vision and mission of the municipality. It consists but not limited to human resources, performance management, government communication and Information management & technology and legal services.

Finance

Finance department is charged with the responsibility of budget and treasury. It is also responsible for the financial wellness of the city including generating revenue and billing, maintaining financial records, financial reporting and encourages responsible spending in terms of relevant legislations.

Human Settlement & Housing

The directorate is charged with the responsibility of developing and providing housing and dwellings for the residents of the city.

Office of the City Manager

Office of the accounting officer where all the department heads report to. It ensures that structures and governance processes are in place and aligned to achieve the strategic objectives of the municipality in line with the relevant legislations.

Office of the Executive Mayor

Office of the Executive Mayor is a political head of the municipality appointed in terms of the Electoral Act. It ensures effective management of the city addressing agreed political priorities. It also ensures that citizens are given sufficient information, opportunity and encouragement to participate in and influence the affairs of the municipality.

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72. Segment information (continued)

Waste and Fleet management

Waste department manages and implements the collection of solid waste and cleaning of the city. Fleet management ensures that the municipality has sufficient and appropriate fleet to ensure service delivery. These fleet are also managed and maintained through the department.

Engineering and Water Services

The department is charged with developing and maintaining strategic infrastructure that mainly provides service delivery (e.g. water, sewer, refuse, etc.). The supply of water is also provided through the department.

Social and Public Safety

The department is charged with the responsibility of improving the well-being of every individual in society so they can reach their full potential. Social development means investing in people (e.g. maintaining of parks, Zoo and museums, interactions, wellness and health).

Public Safety is charged with the responsibility of keeping order in the city and ensuring compliance with relevant legislation (e.g. Criminal Procedures act). Public Safety includes traffic department and law enforcement. Social and Public Safety includes the Mangaung Metro Unit.

Planning, Economic and Rural Development

Planning department involves town planning and development for the City structurally. Building plans and town planning are processed through the department. While rural development strives to upgrade the well being, living environment of rural areas surrounding the metro, the department intends to bridge the living gap between the City dwellers and those at the rural areas.

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72. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Corporate Services	Finance	Human Settlement & Housing	Office of the City Manager	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and Rural Development	Total
Revenue										
Revenue from exchange transactions	926,849	241,590,130	44,923,517	70	-	172,531,429	1,703,454,693	10,267,753	44,937,970	2,218,632,411
Revenue from non-exchange transactions	-	2,910,110,064	-	-	-	282,422,485	353,718,950	3,850,324	2,900,907	3,553,002,730
Total segment revenue	926,849	3,151,700,194	44,923,517	70	-	454,953,914	2,057,173,643	14,118,077	47,838,877	5,771,635,141
Entity's revenue										5,771,635,141
Expenditure										
Bulk purchases	-	-	-	-	-	-	835,315,570	-	-	835,315,570
Contracted services	42,517,667	131,504,526	31,631,493	24,909,804	2,220,342	34,779,189	220,697,628	2,809,942	17,772,619	508,843,210
Debt impairment & bad debt written off	-	21,979,321	283,931,495	-	-	1,383,762,380	89,430,556	1,067,988	137,801	1,780,309,541
Depreciation and amortisation	45,646,284	8,322,495	-	-	-	74,102,033	490,734,568	52,102,797	2,308,898	673,217,075
Employee related cost	208,805,347	374,197,063	89,905,122	105,474,855	120,156,656	254,445,743	327,636,911	247,382,079	80,896,708	1,808,900,484
Remuneration of councillors	-	-	-	-	67,894,941	-	-	-	-	67,894,941
Finance cost	56,060,000	27,753,702	72,036,168	-	-	1,774,713	58,694,442	-	16,110,563	232,429,588
General expenses	117,640,764	120,596,962	9,838,058	1,792,132	21,133,960	69,809,757	62,366,163	15,074,371	2,722,348	420,974,515
Grants and subsidies paid	-	28,466,030	-	-	-	-	-	-	-	28,466,030
Gains and losses	(179,415,865)	5,672,676	(14,694,028)	-	-	21,457,414	31,019,331	105,542	228,010,536	92,155,606
Total segment expenditure	291,254,197	718,492,775	472,648,308	132,176,791	211,405,899	1,840,131,229	2,115,895,169	318,542,719	347,959,473	6,448,506,560
Total segmental surplus/(deficit)										(676,871,419)
Assets										
Current Assets										
Inventories	-	542,926,557	-	-	-	1,299,734	4,507,279	-	-	548,733,570

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	Corporate Services	Finance	Human Settlement & Housing	Office of the City Manager	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and Rural Development	Total
72. Segment Information (continued)										
Consumer receivables from non-exchange transactions	-	338,888,441	-	-	-	-	-	-	-	338,888,441
Consumer receivables from exchange transactions	-	199,784,834	3,550,403	-	-	63,856,733	604,099,960	-	-	871,291,930
Other receivables from non-exchange transactions	-	-	-	-	-	-	-	764,212	-	764,212
Other receivables from exchange transactions	71,434	69,167,768	946,904	-	-	-	-	-	4,173,036	74,359,142
VAT receivable	-	153,696,392	-	-	-	-	-	-	-	153,696,392
Centlec intercompany loan	-	806,540,231	-	-	-	-	-	-	-	806,540,231
Centlec receivable	-	6,604,149	-	-	-	-	-	-	-	6,604,149
Cash and cash equivalents	-	728,277,531	-	-	-	-	-	-	-	728,277,531
Non-Current Assets										
Investment property	-	-	1,585,611,015	-	-	-	-	-	-	1,585,611,015
Property plant and equipment	1,376,824,673	29,588,514	-	-	-	449,275,928	7,734,045,814	743,255,402	1,331,658,164	11,664,648,495
Intangible assets	11,638,741	-	-	-	-	-	-	-	27,505,707	39,144,448
Heritage assets	240,178,000	-	-	-	-	-	-	4,488,687	-	244,666,687
Investments in controlled entities	-	100	-	-	-	-	-	-	-	100
Centlec receivables	-	851,354,157	-	-	-	-	-	-	-	851,354,157
Non-current receivables	(135,192)	124,259	163,889	-	-	-	-	-	-	152,956
Living resources	-	-	-	-	-	-	-	3,675,800	-	3,675,800
Total segment assets	1,628,577,656	3,726,952,933	1,590,272,211	-	-	514,432,395	8,342,653,053	752,184,101	1,363,336,907	17,918,409,256
Total assets as per Statement of financial Position										17,918,409,256
Liabilities										
Current Liabilities										
Payables from exchange transactions	364,294,069	1,387,182,034	231,550	-	-	(143)	(36,519,239)	-	5,871,172	1,721,059,443
Payables from non-exchange transactions	-	307,229,019	583,528	-	-	-	-	(57,304)	-	307,755,243

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72. Segment information (continued)										
Consumer deposits	-	-	-	-	-	-	33,839,791	-	-	33,839,791
Unspent conditional grants and receipts	5,299,588	565,739,456	-	-	-	-	-	-	-	571,039,044
Finance lease obligation	-	12,096,615	-	-	-	-	-	-	-	12,096,615
Borrowings	-	198,773,523	-	-	-	-	-	-	-	198,773,523
Provisions	-	98,748,234	-	-	-	-	-	-	-	98,748,234
Employee benefit obligation	32,007,000	-	-	-	-	-	-	-	-	32,007,000
Non-Current Liabilities										
Borrowings	-	-	-	-	-	-	382,087,800	-	88,033,525	470,121,325
Provisions	-	628,688,755	-	-	-	-	-	-	-	628,688,755
Employee benefit obligation	553,826,000	-	-	-	-	-	-	-	-	553,826,000
FRESHCO liability	-	149,520,237	-	-	-	-	-	-	-	149,520,237
Land availability liability	-	267,561,408	-	-	-	-	-	-	-	267,561,408
Total segment liabilities	955,426,557	3,615,539,281	815,078	-	-	(143)	379,408,352	(57,304)	93,904,697	5,045,036,618
Total liabilities as per Statement of financial Position										5,045,036,618

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72. Segment Information (continued)

2021

	Corporate Services	Finance	Human Settlement & Housing	Office of the City Manager	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and Rural Development	Total
Revenue										
Revenue from non-exchange transactions	-	2,573,843,725	-	-	-	252,463,347	446,123,022	9,387,712	2,044	3,281,819,850
Revenue from exchange transactions	1,563,653	218,049,351	45,357,688	70	-	155,968,708	1,512,922,363	9,891,467	42,334,234	1,986,087,534
Total segment revenue	1,563,653	2,791,893,076	45,357,688	70	-	408,432,055	1,959,045,385	19,279,179	42,336,278	5,267,907,384
Entity's revenue										5,267,907,384
Expenditure										
Bulk purchases	-	-	-	-	-	-	743,539,271	-	-	743,539,271
Contracted services	53,385,025	55,043,501	18,924,599	56,613,732	1,135,419	19,667,534	181,141,605	95,514,415	9,061,247	490,487,077
Debt impairment & bad debt written off	-	161,774,420	9,512,878	-	-	82,787,497	544,739,421	5,887,388	150,828	804,852,432
Depreciation and amortisation	47,131,562	9,125,419	-	-	-	76,946,201	526,896,451	55,796,996	2,495,725	718,392,354
Employee related cost	194,905,355	303,724,375	90,649,000	43,995,611	138,524,129	249,969,105	298,842,181	387,392,962	82,805,512	1,790,808,230
Remuneration of councillors	-	-	-	-	65,531,322	-	-	-	-	65,531,322
Finance cost	47,790,990	2,782,029	32,419,764	-	-	13,457,486	56,613,722	-	31,093,963	184,157,954
General expenses	120,588,537	110,109,779	19,045,649	6,423,633	22,026,532	43,846,343	13,933,589	20,137,195	2,602,248	358,713,505
Grants and subsidies paid	-	50,327,112	-	-	-	-	-	-	-	50,327,112
Gains and losses	38,636,246	4,839,286	321,453	-	-	-	30,051,532	3,677,711	(3,361,877)	74,164,351
Total segment expenditure	502,437,715	697,725,921	170,873,343	107,032,976	227,217,402	486,674,166	2,395,757,772	568,406,667	124,847,646	5,280,973,608
Total segmental surplus/(deficit)										(13,066,224)

Assets

Current Assets										
Cash and cash equivalents	-	195,678,895	-	-	-	-	-	-	-	195,678,895
Centlec intercompany loan	-	799,240,928	-	-	-	-	-	-	-	799,240,928
Centlec Receivables - Current portion	-	6,654,710	-	-	-	-	-	-	-	6,654,710

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	Corporate Services	Finance	Human Settlement & Housing	Office of the City Manager	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and Rural Development	Total
72. Segment information (continued)										
Consumer receivables from exchange transactions	-	199,784,834	4,161,783	-	-	62,346,389	845,367,303	-	-	1,111,660,309
Consumer receivables from non-exchange transactions	-	766,473,520	-	-	-	-	-	-	-	766,473,520
Inventory	-	528,082,340	-	-	-	1,381,083	4,003,694	-	-	533,467,117
Other receivables from exchange transactions	61,669	70,962,986	350,702	-	-	-	-	-	3,967,054	75,342,411
Other receivables from non-exchange transactions	-	-	-	-	-	-	-	950,267	-	950,267
VAT receivables	-	69,794,592	-	-	-	-	-	-	-	69,794,592
Non-Current Assets										
Heritage assets	275,480,000	-	-	-	-	-	-	4,488,687	-	279,968,687
Centilec receivables	-	857,958,306	-	-	-	-	-	-	-	857,958,306
Intangible assets	9,503,458	-	-	-	-	-	-	-	305,707	9,809,165
Investment in controlled entities	-	100	-	-	-	-	-	-	-	100
Investment property	-	-	1,570,916,987	-	-	-	-	-	-	1,570,916,987
Non-current receivables	(67,596)	112,049	85,091	-	-	-	-	-	-	129,544
Property, plant and equipment	1,167,947,884	24,822,577	-	-	-	565,383,011	7,740,779,719	772,462,098	1,599,147,696	11,870,542,985
Living resources	-	-	-	-	-	-	-	2,791,000	-	2,791,000
Total segment assets	1,452,925,415	3,519,565,837	1,575,514,563	-	-	629,110,483	8,590,150,716	780,692,052	1,603,420,457	18,151,379,523
Total assets as per Statement of financial Position										18,151,379,523
Liabilities										
Borrowings	-	-	-	-	-	-	491,727,882	-	125,243,787	616,971,669
Borrowings - Current portion	-	159,459,305	-	-	-	-	-	-	-	159,459,305
Consumer deposits	-	-	-	-	-	-	33,351,036	-	-	33,351,036
Employee benefit obligation	547,617,000	-	-	-	-	-	-	-	-	547,617,000
Employee benefit obligation - current	35,379,000	-	-	-	-	-	-	-	-	35,379,000
Finance lease obligation	-	38,221,652	-	-	-	-	-	-	-	38,221,652

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	Corporate Services	Finance	Human Settlement & Housing	Office of the City Manager	Office of the Executive Mayor	Waste and Fleet management	Engineering & Water Services	Social & Public Safety	Planning, Economic and Rural Development	Total
72. Segment information (continued)										
Finance lease obligation - current portion	-	11,831,215	-	-	-	-	-	-	-	11,831,215
Freshco liability	-	163,648,133	-	-	-	-	-	-	-	163,648,133
Land availability liability	-	282,670,558	-	-	-	-	-	-	-	282,670,558
Payables from exchange transactions	382,788,057	1,262,405,682	213,729	-	13,167	126,327	84,003	46,901	6,820,165	1,652,498,031
Payables from non-exchange transactions	-	336,074,974	549,157	-	-	-	-	-	-	336,624,131
Unspent conditional grants and receipts	2,228,830	33,433,879	-	-	-	-	-	-	-	35,662,709
Provisions	-	64,716,945	-	-	-	-	-	-	-	64,716,945
Provisions - current portion	-	616,660,269	-	-	-	-	-	-	-	616,660,269
Total segment liabilities	968,012,887	2,969,122,612	762,886	-	13,167	126,327	525,162,921	46,901	132,063,952	4,595,311,653
Total liabilities as per Statement of financial Position										4,595,311,653

Information about geographical areas

The municipality's operations are in the Free State Province (Mangaung district).

The municipality does not report on a geographical basis, therefore decision making is not based on geographical areas.

Mangaung Metropolitan Municipality
Appendix A to the Annual Financial Statements for the year ended 30 June 2022

Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 21	August 21	September 21	October 21	November 21	December 21	January 22	February 22	March 22	April 22	May 22	June 22
Chaka NS	58,696	59,474	60,253	61,063	-	-	-	-	-	-	-	-
Dyosiba S	-	-	-	-	-	-	-	-	-	-	-	-
Ferreira TI	-	-	247	508	770	-	-	-	-	261	-	-
Mabale G	20,297	76,103	78,054	74,276	-	-	-	-	-	-	-	-
Mabena MJ	-	-	-	-	723	726	728	731	734	736	-	-
Mahase MM	620	906	1,194	1,500	-	-	-	-	-	-	-	-
Makau PE	-	-	-	-	29,258	32,500	51,312	70,116	78,637	-	-	13,444
Mangcotywa ZE	-	-	-	-	-	-	-	-	-	-	-	-
Matetha NR	-	-	-	-	-	-	-	-	-	-	-	-
Matsoellane MJ	-	-	-	-	83,313	84,039	85,022	85,752	86,824	56,963	3,490	-
Miamleli SM	-	572	3,436	3,416	-	-	-	-	-	-	-	-
Mogapi KT	-	-	-	-	-	-	-	-	-	-	-	-
Mohibidu PM	20,759	21,686	22,618	23,602	24,591	25,585	26,585	27,590	28,605	29,626	30,658	31,695
Mokoakoa MI	5,527	5,832	6,138	6,462	6,787	7,113	7,441	7,771	8,105	8,439	8,778	9,117
Mokoena JI	-	-	-	-	914	1,991	-	-	3,054	132	1,003	3,450
Moleko ML	713	716	718	721	-	-	-	-	-	-	-	-
Mononyane MB	10,188	11,211	12,241	13,384	-	-	-	-	-	-	-	-
Moopela TM	25,349	25,441	25,534	25,626	-	-	-	-	-	-	-	-
Motloung MV	1,432	-	-	-	-	-	-	-	-	-	-	-
Naile TJ	-	-	-	-	-	-	-	-	-	-	-	-
Ndzuzo T	-	-	-	-	-	-	-	-	-	-	-	-
Nkoe MJ	66,065	67,647	68,908	70,468	-	-	-	-	-	-	-	-
Nothnagel J	-	-	-	-	-	-	-	-	-	-	-	-
Nyaphudi LJ	-	-	-	-	123,474	125,469	127,412	129,143	131,301	132,223	134,417	136,635
Petersen JE	-	132	132	132	-	-	-	-	-	-	-	-
Phalatse OP	-	-	-	-	-	-	-	-	-	-	-	-
Pongolo DX	6,667	7,100	7,535	7,994	-	-	-	-	-	-	-	-
Pretorius S	-	-	-	-	1,856	-	-	-	-	-	-	-
Qwema MB	-	-	-	-	-	-	-	-	-	-	-	-
Ramolelle MS	-	-	-	-	724	726	729	731	734	737	-	-
Ranchobe T	21,924	31,354	21,859	27,671	-	-	-	-	-	-	-	-
Sebolao JE	28,182	28,837	29,530	30,120	30,728	31,340	31,974	32,743	63,537	33,949	31,120	28,348
Sefuthi NM	11,873	12,140	12,408	12,688	-	-	-	-	-	-	-	-
Shounyana MM	3,755	3,643	3,547	-	-	-	-	-	-	-	-	-
Thatho MV	-	-	-	-	-	-	-	-	-	-	-	-
Thipenyane G	-	-	-	-	-	-	-	-	-	-	-	-
Thomas JB	-	-	-	-	3,367	3,382	3,397	3,411	3,427	3,442	3,458	-
Thwala ZJ	2,011	2,034	2,079	2,089	2,113	1,865	1,985	2,292	3,530	3,543	3,064	2,585
Tsiane MMP	60,171	61,260	62,347	63,474	-	-	-	-	-	-	-	-
Van Der Walt TB	-	-	-	-	-	-	-	-	37	-	-	-
Total	344,361	416,088	418,778	425,194	308,618	314,736	336,585	360,280	408,525	270,051	215,988	225,274

Mangaung Metropolitan Municipality

Appendix A to the Annual Financial Statement for the year ended 30 June 2021

Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 20	August 20	September	October 20	November 20	December 2	January 21	February 21	March 21	April 21	May 21	June 21
Bris JF	-	-	-	-	-	1,425	2,850	-	-	-	-	-
Chaka NS	49,224	50,263	50,721	51,208	51,698	52,444	53,328	54,211	54,211	55,992	56,887	57,794
Dyosiba S	-	287	-	-	-	-	-	-	-	-	-	-
Gallele IL	-	-	-	67	-	-	-	-	-	-	-	-
Goliath EK	11,249	8,234	-	-	-	1,805	-	-	-	-	-	-
Kganakga M	155	858	220	1,652	1,095	1,411	-	-	-	-	-	-
Mabale G	53,456	61,383	50,713	51,066	45,975	41,242	50,028	53,297	47,797	53,754	31,297	25,797
Mahase MM	1,505	1,635	-	67	-	-	-	-	-	-	122	335
Mangcotywa ZE	4,106	3,677	2,024	2,461	1,647	1,211	-	-	-	-	-	-
Mlamlile SM	-	-	-	-	-	25	2,868	1,711	-	-	1,712	713
Mogapi KT	-	-	-	4,690	3,008	1,008	-	-	-	-	-	-
Mohibidu PM	18,480	18,440	11,901	12,712	13,524	15,814	16,835	16,199	16,199	18,007	18,919	19,836
Mohlalane RJ	32,028	-	-	-	-	-	-	-	-	-	-	-
Mokoakoa MI	1,826	2,338	2,595	2,870	3,145	3,437	3,731	4,026	4,026	4,621	4,921	5,223
Moleko ML	-	-	-	-	-	-	-	-	-	-	-	-
Mononyane MB	31,809	34,523	31,379	32,841	29,809	28,966	25,456	20,956	16,456	13,357	9,987	9,478
Morake AM	9,248	9,333	6,376	7,485	6,595	6,595	4,588	1,485	-	-	-	-
Motloung MV	1,322	1,322	-	-	-	-	-	-	-	-	-	-
Mvuyo A	-	-	-	-	-	318	688	1,104	1,104	1,877	905	1,166
Nkoe MJ	39,045	40,577	41,694	42,385	43,193	44,206	44,216	58,884	58,884	62,732	2,134	2,526
Ndzozo T	-	-	-	-	-	-	-	-	-	-	63,791	64,896
Nothnagel J	8,240	10,539	8,299	11,353	11,309	9,774	8,226	3,917	-	8,660	-	-
Petersen JE	132	132	132	132	132	132	132	132	3,917	3,845	1,086	-
Phalatse OP	3,069	2,351	915	915	437	-	-	-	132	132	132	132
Pongolo DX	1,392	2,132	2,501	2,897	3,293	3,707	4,123	4,541	-	-	-	-
Pretorius S	-	871	-	-	-	-	-	-	4,541	5,384	5,810	6,237
Qwema MB	2,612	2,217	760	1,000	400	281	-	-	-	-	-	-
Ranchobe T	31	31	913	924	29,526	29,701	29,906	30,307	-	-	-	-
Ratsiu NA	1,318	-	-	-	-	-	-	30,307	30,307	30,890	31,182	21,631
Sebolao JE	20,553	21,369	21,885	22,333	22,822	23,538	24,156	24,640	24,640	25,869	26,888	27,573
Sefuthi NM	8,804	9,184	9,374	9,579	9,784	10,041	10,299	10,559	10,559	11,081	11,344	11,608
Seleke PL	1,808	829	-	-	-	-	-	-	-	-	-	-
Shounyana MM	1,690	2,866	2,525	3,146	3,757	4,218	4,677	4,562	3,939	4,293	4,185	4,051
Siyonzana MA	8,360	5,631	4,195	5,286	6,377	5,212	4,062	2,933	677	693	-	-
Thatho MV	5,295	5,016	2,401	3,122	2,193	2,193	515	-	-	-	-	-
Titi LM	4,665	7,228	8,510	9,872	11,234	12,657	9,851	7,054	2,817	1,460	-	-
Tsiane MMP	61,082	60,568	59,311	60,101	60,891	61,983	63,080	64,172	61,172	63,369	-	-
Thwala ZJ	-	-	-	-	-	-	-	-	-	-	-	-
Total	382,504	363,834	319,344	340,164	361,844	363,344	363,615	364,690	341,378	366,016	271,302	261,715

