



Mangaung Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2023

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

General Information

Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
Mayoral committee	
Executive Mayor	Nthatsi GMS - Acting from 25 April 2023 Mothibi-Nkoane MM - Acting from 06 March 2023 until 18 April 2023 Siyonzana M - Until 27 February 2023
Councillors	Jonas-Malephane VE Titi-Odili LM Morake MA Tladi MM Mosala MT Twala PS Soqaga VS - From 3 May 2023 Letawana MM - From 3 May 2023 Kruger CL - From 3 May 2023 Tsoleli SP - From 3 May 2023 Matsoetlane MJ - Until 27 February 2023 Mogotloane TJ - Until 27 February 2023 Van der Ross KE - Until 27 February 2023
Deputy Executive Mayor	Vacant Mothibi-Nkoane MM - Until 18 April 2023
Speaker	Davies M - From 29 March 2023 Lockman SB - Until 15 March 2023
Accounting Officer	More S - Permanent appointed from 1 November 2023 Ntshudisane MJ - Acting from 1 September 2023 until 31 October 2023 Dumalisile NR - Acting from 25 April 2023 until 31 August 2023 Motlashuping T - Acting from 20 April 2022 until 31 March 2023
Chief Financial Officer	Denge L - From 19 December 2022 Sediti T - From 1 May 2022 until 18 December 2022
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
National Cabinet Representative	Malaza G Ntshudisane MJ

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Abbreviations

1. Abbreviations used within the annual financial statements

ACT	Actual
BAL	Balance
CAPEX	Capital expenditure
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
DOE	Department of Energy
DBSA	Development Bank of South Africa
FRESHCO	Free State Social Housing Company
GRAP	Generally Recognised Accounting Practice
HOD	Head of Directorate
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
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)
NDR	Non-distributable Reserve
NERSA	National Energy Regulator of South Africa
NRV	Net Realisable Value
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
SDL	Skills Development Levy
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 are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledge 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 43 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she 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 consolidated annual financial statements.

The consolidated annual financial statements set out on pages 7 to 145, which have been prepared on the going concern basis, were approved by the accounting officer on 29 September 2023:

More S
City Manager

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submit his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 77,759,465 (2022: deficit R 1,010,603,635).

2. Going concern

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

The municipality 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 61 for more detail.

3. Subsequent events

On 24 October 2023 a security breach on the Mangaung Metro Municipality network occurred, which was caused by ransomware.

The cyber-attack rendered all applications used by the municipality inoperable, including critical application systems such as Solar (financial system) HR Focus, telephones, email and internet access for all users. Additionally, the cyber-attack has impeded service delivery, impacting payments to service providers, procurement of essentials such as diesel, building plan approvals, indigent funerals, issuance of clearance certificates etc.

Most significantly, the breach has hampered the municipality's ability to engage with its community and key stakeholders. This security breach poses a risk not only to the municipality's daily operations, but also the delivery of vital municipal services.

The financial impact of the security breach could not yet be determined.

The Minister approved a financial recovery plan (FRP) in August 2023. The aim of the FRP is to improve the municipalities financial viability. This FRP is being implemented by the municipality.

The municipality has appointed a City Manager on a permanent basis on 1 November 2023. This appointment aims to bring stability and clear direction for the municipality.

4. Accounting Officers' interest in contracts

None.

5. Accounting Officer

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

Name	Nationality	Changes
Motlashuping T	South African	Acting from 20 April 2022 until 31 March 2023
Dumalisile NR	South African	Acting from 25 April 2023 until 31 August 2023
Ntshudisane MJ	South African	Acting from 1 September 2023 until 31 October 2023
More S	South African	Permanent appointed from 1 November 2023

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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(SA).
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 26 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 (term ended on 30 April 2022).
3. Dumalisile NR (Department of Human Settlements) - Acting City Manager (from 25 April 2023).
4. Sediti T (National Treasury) - Acting Chief Financial Officer (term ended on 18 December 2022).
5. Denge L (National Treasury) - Acting Chief Financial Officer (from 19 December 2022).
6. Adv Mpangane N (National CoGTA) - Acting HOD Corporate services.
7. McLeod WR (MISA) - Acting HOD Engineering Services.
8. Manyungwana XC (Department of Transport) - Acting HOD Economic and Rural Development.
9. Nel F (Department of Forestry Fisheries and the Environment) - Waste and Fleet Management.
10. Manunda N (MISA) - Acting HOD Human Settlements and Housing (from 25 April 2023).

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

1. Malaza G - National Cabinet Representative
2. Kunene V - Finance Specialist
3. Cibane T - Governance Specialist
4. Nkosi M - Governance Specialist

7. Date of signature

The consolidated annual financial statements set out on pages 7 to 145, which have been prepared on the going concern basis, were approved by the accounting officer on 29 September 2023 and were signed on his behalf by:

More S
City Manager

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	689,192,951	674,743,885
Other receivables from non-exchange transactions	4	1,116,700	766,274
Consumer receivables from exchange transactions	5	1,301,274,869	1,384,115,247
Consumer receivables from non-exchange transactions	6	418,907,795	338,888,440
Other receivables from exchange transactions	7	292,095,459	209,823,355
Cash and cash equivalents	8	711,160,916	731,290,924
Non-current receivables	13	191,345	273,713
		3,413,940,035	3,339,901,838
Non-Current Assets			
Investment property	9	1,587,424,015	1,585,611,015
Property, plant and equipment	10	17,476,707,363	17,798,317,062
Intangible assets	11	140,596,135	134,718,650
Heritage assets	12	254,696,007	252,967,911
Non-current receivables	13	264,189	452,713
Living resources	14	3,171,001	3,706,202
Deferred tax	15	1,414,854,171	1,342,777,625
		20,877,712,881	21,118,551,178
Total Assets		24,291,652,916	24,458,453,016
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	2,387,846,171	2,436,800,222
Payables from non-exchange transactions	17	291,824,955	355,692,165
VAT payable	18	41,037,036	46,297,782
Consumer deposits	19	194,904,018	164,213,600
Unspent conditional grants and receipts	20	369,930,232	571,039,043
Finance lease obligation	21	1,511,179	14,084,861
Other financial liabilities	22	162,818,218	198,773,506
Provisions	23	117,539,100	102,733,275
Employee benefit obligation	24	35,206,000	34,496,000
		3,602,616,909	3,924,130,454
Non-Current Liabilities			
Deferred tax	15	1,333,331,491	1,358,071,535
Finance lease obligation	21	-	1,511,179
Other financial liabilities	22	564,887,631	470,121,326
Provisions	23	691,222,696	642,776,384
Employee benefit obligation	24	553,437,600	579,013,001
FRESHCO	25	135,392,341	149,520,237
Land availability	26	251,723,941	267,561,408
		3,529,995,700	3,468,575,070
Total Liabilities		7,132,612,609	7,392,705,524
Net Assets		17,159,040,307	17,065,747,492
Reserves			
Revaluation reserve	27	5,006,137,617	5,002,836,443
Self-insurance reserve	28	10,000,000	10,000,000
COVID reserve	29	17,383,704	19,139,985
Other NDR	30	60,000,000	60,000,000
Accumulated surplus		12,065,518,986	11,973,771,064
Total Net Assets		17,159,040,307	17,065,747,492

* See Note 71 & 68

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Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	32	4,518,111,687	4,323,941,060
Rental of facilities and equipment	33	48,083,550	49,754,279
Other income from exchange transactions	36	100,696,135	102,134,125
Interest received from exchange transactions	37	508,969,309	297,882,227
Dividends received	37	11,859	2,656
Agency services	38	6,227,547	5,942,316
Total revenue from exchange transactions		5,182,100,087	4,779,656,663
Revenue from non-exchange transactions			
Living resources	14	660,800	476,200
Interest received from non-exchange transactions	35	124,636,207	73,192,006
Property rates	39	1,508,845,345	1,387,795,158
Transfer revenue			
Fines, penalties and forfeits	34	40,944,618	15,894,605
Government grants & subsidies	40	2,118,427,432	2,080,812,087
Public contributions and donations	41	1,950,000	2,900,907
Total revenue from non-exchange transactions		3,795,464,402	3,561,070,963
Total revenue	31	8,977,564,489	8,340,727,626
Expenditure			
Employee related costs	42	(2,240,778,607)	(2,217,215,425)
Remuneration of councillors	43	(69,433,541)	(67,894,942)
Depreciation and amortisation	44	(844,584,495)	(907,486,708)
Finance costs	46	(320,027,179)	(245,683,973)
Debt impairment and bad debt write off	48	(1,554,701,070)	(1,869,232,549)
General expenses	49	(423,992,190)	(388,396,635)
Bulk purchases	50	(2,955,315,061)	(2,897,189,360)
Contracted services	51	(568,837,839)	(713,179,375)
Total expenditure		(8,977,669,982)	(9,306,278,967)
Operating (deficit) / surplus		(105,493)	(965,551,341)
Inventories losses/write-downs	3	2,067,366	(3,912,110)
Actuarial gains/(losses)	24	89,263,470	46,665,101
Impairment loss	45	(58,276,037)	(25,221,367)
Fair value adjustments	52	1,832,511	(9,134,441)
Loss on disposal of assets and liabilities	53	(53,838,941)	(19,769,903)
Loss on revaluation of assets	54	-	(113,406,569)
		(18,951,631)	(124,779,289)
Deficit before taxation		(19,057,124)	(1,090,330,630)
Taxation	70	96,816,589	79,726,995
Deficit for the year		77,759,465	(1,010,603,635)

* See Note 71 & 68

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	4,989,275,243	60,000,000	10,000,000	20,890,377	5,080,165,620	13,070,517,475	18,150,683,095
Adjustments							
Prior year adjustments 68	11,259,415	-	-	-	11,259,415	(104,677,736)	(93,418,321)
Balance at 1 July 2021 as restated*	5,000,534,658	60,000,000	10,000,000	20,890,377	5,091,425,035	12,965,839,739	18,057,264,774
Changes in net assets							
Surplus for the year as previously reported	-	-	-	-	-	(872,688,325)	(872,688,325)
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)	16,784,569	(783,769)
Revaluation of assets (Before prior period error)	(4,631,273)	-	-	-	(4,631,273)	-	(4,631,273)
Disposals	(123,023)	-	-	-	(123,023)	-	(123,023)
Prior period error - Note 68	25,034,053	-	-	-	25,034,053	(137,915,311)	(112,881,258)
Realisation of Revaluation Reserve	(408,768)	-	-	-	(408,768)	-	(408,768)
Other	(866)	-	-	-	(866)	-	(866)
Balance at 01 July 2022 as restated*	5,002,836,443	60,000,000	10,000,000	19,139,985	5,091,976,428	11,973,771,064	17,065,747,492
Changes in net assets							
Surplus for the year	-	-	-	-	-	77,759,465	77,759,465
Realisation of the revaluation reserve through depreciation	(11,823,407)	-	-	-	(11,823,407)	11,823,407	-
Contributions received	-	-	968,845	-	968,845	-	968,845
Insurance claims processed	-	-	(968,845)	(1,756,281)	(2,725,126)	1,756,281	(968,845)
Revaluation of assets	11,937,882	-	-	-	11,937,882	-	11,937,882
Disposals	3,594,600	-	-	-	3,594,600	-	3,594,600
Realisation of Revaluation Reserve	(408,768)	-	-	-	(408,768)	408,769	1
Other	867	-	-	-	867	-	867
Total changes	3,301,174	-	-	(1,756,281)	1,544,893	91,747,922	93,292,815
Balance at 30 June 2023	5,006,137,617	60,000,000	10,000,000	17,383,704	5,093,521,321	12,065,518,986	17,159,040,307
Note(s)	27	30	28	29			

* See Note 71 & 68

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Cash Flow Statement

Figures in Rand	Notes	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		5,001,441,267	4,967,050,798
Grants received		2,002,854,160	2,616,188,423
Interest income		94,252,001	55,565,189
Dividends received		11,859	2,656
		<u>7,098,559,287</u>	<u>7,638,807,066</u>
Payments			
Employee costs		(2,307,351,367)	(2,330,444,528)
Suppliers		(4,159,495,737)	(3,900,942,354)
Finance costs		(47,223,599)	(13,703,784)
		<u>(6,514,070,703)</u>	<u>(6,245,090,666)</u>
Net cash flows from operating activities	55	<u>584,488,584</u>	<u>1,393,716,400</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(580,924,409)	(607,424,972)
Proceeds from sale of property, plant and equipment	10	1,034,424	2,042,249
Proceeds from sale of investment property	9	-	338,618
Purchase of other intangible assets	11	(8,528,135)	(45,298,947)
Proceeds from non-current receivables		290,403	264,268
Interest Income		-	454,546
		<u>(588,127,717)</u>	<u>(649,624,238)</u>
Net cash flows from investing activities		<u>(588,127,717)</u>	<u>(649,624,238)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		60,209,792	(106,868,583)
Repayment of finance leases		(14,478,203)	(39,454,163)
Finance costs		(62,222,466)	(77,978,418)
		<u>(16,490,877)</u>	<u>(224,301,164)</u>
Net cash flows from financing activities		<u>(16,490,877)</u>	<u>(224,301,164)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(20,130,010)</u>	<u>519,790,998</u>
Cash and cash equivalents at the beginning of the year		731,290,924	211,499,931
Cash and cash equivalents at the end of the year	8	<u>711,160,914</u>	<u>731,290,929</u>

* See Note 71 & 68

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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	5,139,605,556	-	5,139,605,556	4,518,111,687	(621,493,869)	69.1
Rental of facilities and equipment	44,637,982	-	44,637,982	48,083,550	3,445,568	
Other income from exchange transactions	583,896,362	-	583,896,362	100,696,135	(483,200,227)	69.2
Interest received from exchange transactions	277,111,803	-	277,111,803	508,969,309	231,857,506	69.3
Dividends received	2,405	-	2,405	11,859	9,454	69.4
Agency services	-	-	-	6,227,547	6,227,547	69.5
Total revenue from exchange transactions	6,045,254,108	-	6,045,254,108	5,182,100,087	(863,154,021)	
Revenue from non-exchange transactions						
Living resources	-	-	-	660,800	660,800	69.6
Interest received from non-exchange transactions	50,143,567	-	50,143,567	124,636,207	74,492,640	69.7
Property rates	1,458,072,634	-	1,458,072,634	1,508,845,345	50,772,711	69.8
Transfer revenue						
Fines, penalties and forfeits	31,129,714	-	31,129,714	40,944,618	9,814,904	69.9
Government grants & subsidies	1,053,610,617	-	1,053,610,617	1,328,072,878	274,462,261	69.10
Public contributions and donations	-	-	-	1,950,000	1,950,000	69.11
Total revenue from non-exchange transactions	2,592,956,532	-	2,592,956,532	3,005,109,848	412,153,316	
Total revenue (excluding capital transfers and contributions)	8,638,210,640	-	8,638,210,640	8,187,209,935	(451,000,705)	
Expenditure						
Employee related cost	(2,243,143,293)	-	(2,243,143,293)	(2,240,778,607)	2,364,686	
Remuneration of councillors	(75,231,032)	-	(75,231,032)	(69,433,541)	5,797,491	
Depreciation and amortisation	(347,000,002)	-	(347,000,002)	(844,584,495)	(497,584,493)	69.12
Finance costs	(184,664,685)	-	(184,664,685)	(320,027,179)	(135,362,494)	69.13
Debt impairment and bad debt write off	(1,125,051,832)	-	(1,125,051,832)	(1,554,701,070)	(429,649,238)	69.14
Bulk purchases	(2,746,640,839)	-	(2,746,640,839)	(2,955,315,061)	(208,674,222)	69.15
Contracted services	(646,203,152)	-	(646,203,152)	(568,837,839)	77,365,313	69.16
Grants and subsidies paid	(409,173)	-	(409,173)	-	409,173	69.17
General expenses	(375,522,350)	-	(375,522,350)	(423,992,190)	(48,469,840)	69.18
Total expenditure	(7,743,866,358)	-	(7,743,866,358)	(8,977,669,982)	(1,233,803,624)	
Operating deficit	894,344,282	-	894,344,282	(790,460,047)	(1,684,804,329)	
Inventories losses/write-downs	-	-	-	2,067,366	2,067,366	69.19
Actuarial gains/(losses)	-	-	-	89,263,470	89,263,470	69.20
Impairment loss	-	-	-	(58,276,037)	(58,276,037)	69.21
Fair value adjustments	-	-	-	1,832,511	1,832,511	69.22
Loss on disposal of assets and liabilities	(340,834,586)	-	(340,834,586)	(53,838,941)	286,995,645	69.23
	(340,834,586)	-	(340,834,586)	(18,951,631)	321,882,955	
Surplus / (Deficit) before capital transfers and contributions	553,509,696	-	553,509,696	(809,411,678)	(1,362,921,374)	
Transfers recognised - Capital	1,031,174,383	-	1,031,174,383	790,354,554	(240,819,829)	69.24
Surplus for the year from continuing operations	1,584,684,079	-	1,584,684,079	(19,057,124)	(1,603,741,203)	

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

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
Tax expense	-	-	-	96,816,589	96,816,589	69.25
Surplus / (Deficit) after capital transfers and contributions	1,584,684,079	-	1,584,684,079	77,759,465	(1,506,924,614)	

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

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	4,197,200,530	-	4,197,200,530	3,413,940,035	(783,260,495)	69.26
Non-Current Assets						
Total Non-current Assets	23,388,773,860	-	23,388,773,860	20,877,712,881	(2,511,060,979)	69.27
Total Assets	27,585,974,390	-	27,585,974,390	24,291,652,916	(3,294,321,474)	
Current Liabilities						
Total Current Liabilities	2,273,095,899	-	2,273,095,899	3,602,616,909	1,329,521,010	69.28
Non-Current Liabilities						
Total Non-Current liabilities	2,066,607,921	-	2,066,607,921	3,529,995,700	1,463,387,779	69.29
Total Liabilities	4,339,703,820	-	4,339,703,820	7,132,612,609	2,792,908,789	
Net Assets	23,246,270,570	-	23,246,270,570	17,159,040,307	(6,087,230,263)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Total reserves	23,246,270,570	-	23,246,270,570	17,159,040,307	(6,087,230,263)	69.30

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

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						
Net cash from (used)						
Net cash flows from operating activities	4,997,100,161	-	4,997,100,161	584,488,584	(4,412,611,577)	69.31
Net cash flows from investing activities	(1,293,206,029)	-	(1,293,206,029)	(588,127,717)	705,078,312	69.31
Net cash flows from financing activities	(143,724,020)	-	(143,724,020)	(16,490,877)	127,233,143	69.31
	3,560,170,112	-	3,560,170,112	(20,130,010)	(3,580,300,122)	
Net increase/(decrease) in cash and cash equivalents	211,499,931	-	211,499,931	731,290,924	519,790,993	69.31
Cash and cash equivalents at the end of the year	3,771,670,043	-	3,771,670,043	711,160,914	(3,060,509,129)	

Budget variances are discussed in note 69.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated 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 consolidated annual financial statements, are disclosed below.

1.1 Going concern assumption

These consolidated 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 Consolidation

Basis for consolidation

Consolidated annual financial statements are the consolidated annual financial statements of the municipality and its municipal entity presented as those of a single entity.

The consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the consolidated annual financial statements of the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Consolidation (continued)

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the municipality is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the municipality and the Special purpose entity indicates that the Special purpose entity is controlled by the municipality.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated 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.

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.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 23 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The municipality recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The municipality recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the municipality to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the municipality to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

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 1.6, 1.7 and 1.8. 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 24 - Employee benefit obligation.

1.5 Investment property

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

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

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Investment property (continued)

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 consolidated annual financial statements (see note 9 - Investment property).

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is 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

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 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
Electricity network	Straight-line	3 - 50

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 cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10 - 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 10- Property, plant and equipment)

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Intangible assets

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

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 and licences	Straight-line	1 - 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 11 - 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

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 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.

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.

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Accounting Policies

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.

1.9 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.

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.

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Accounting Policies

1.9 Heritage assets (continued)

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 12 - Heritage assets).

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
- 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.

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Accounting Policies

1.10 Financial instruments (continued)

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 unissued 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.

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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.

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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

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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.

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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
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

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.

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.

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Accounting Policies

1.11 Statutory receivables (continued)

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.

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.

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Accounting Policies

1.11 Statutory receivables (continued)

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

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

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.

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Accounting Policies

1.13 Leases (continued)

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.

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.

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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.

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.

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use, the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

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.

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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.

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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.

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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 oversized or overcapacity asset. Oversized 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.

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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.

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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.

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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 consolidated 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).
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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.

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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.

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Accounting Policies

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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 58 - 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.

Mangaung Metropolitan Municipality

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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 57 - 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.

Mangaung Metropolitan Municipality

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Accounting Policies

1.21 Revenue from exchange transactions (continued)

Measurement

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

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, electricity and water services.

Service charges

Service charges relating to distribution of electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed.

The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on historical information.

Pre-paid electricity

Pre-paid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August).

The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the previous financial years' months of May, June and July.

The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

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Accounting Policies

1.21 Revenue from exchange transactions (continued)

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.

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.

Mangaung Metropolitan Municipality

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Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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.

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Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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 cash flow statement 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.

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Accounting Policies

1.27 Fruitless and wasteful expenditure (continued)

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 63 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:

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 64 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.29 Housing development fund

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

1.30 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.

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Accounting Policies

1.30 Internal reserves (continued)

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.

1.31 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).

1.32 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.

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.

1.33 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 69 - Budget differences to the annual financial statements.

1.34 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.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.34 Related parties (continued)

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 consolidated annual financial statements.

1.35 Events after reporting date

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

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

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

The municipality 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.

1.36 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.

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Accounting Policies

1.36 Service concession arrangements: Entity as grantor (continued)

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.

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.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.36 Service concession arrangements: Entity as grantor (continued)

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.

1.37 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 17 Payable from non-exchange transactions where these receipts in advance are disclosed.

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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, no new standards and interpretations were issued which are effective for the current financial year and that are relevant to its operations.

2.2 Standards and interpretations not yet effective or relevant

The following GRAP pronouncements have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	1 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised) Heritage assets	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised) Financial instruments	1 April 2025	Likely there will be a material impact
• IGRAP 21 The effect of past decisions on materiality	1 April 2023	Unlikely there will be a material impact
• Guideline on accounting for landfill sites	1 April 2023	Unlikely there will be a material impact
• IGRAP 7 (as revised) The limit on a defined benefit asset, minimum funding requirements and their interaction	1 April 2023	Unlikely there will be a material impact

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Notes to the Consolidated Annual Financial Statements

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3. Inventories		
Consumable stores	5,864,904	3,249,592
Fuel	851,451	1,299,734
Maintenance materials	887,372	1,724,532
Unsold properties held for resale	378,322,226	367,215,009
Water for distribution (in pipes and reservoirs)	4,505,183	4,496,316
Work in progress (inventory)	171,707,423	171,707,423
Raw materials, components	127,054,392	125,051,279
	689,192,951	674,743,885
Raw materials, components		
Inventory balance	131,470,808	126,083,117
NRV adjustment	4,416,416	1,031,838
	127,054,392	125,051,279
An assessment of the net realisable value against cost was performed and inventory was written down.		
Inventories that were recognised as stores issues during the year amounted to R83,478,425 (2022: R62,323,191), of which a portion was capitalised.		
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 losses and expenses		
Inventories written off	6,346,387	6,181,103
Inventories recognised as an expense during the year	116,412,730	86,547,347
Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.		
Inventory pledged as security		
No inventory was pledged as security for any financial liability.		
4. Other receivables from non-exchange transactions		
Traffic fines receivable	12,497,536	11,373,580
Impairment - Traffic fines receivable	(11,380,836)	(10,607,306)
Government grants receivable	114,350,195	114,350,195
Impairment - Government grants receivable	(114,350,195)	(114,350,195)
	1,116,700	766,274
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Traffic fines receivable	1,116,700	766,274
Government grants receivable	-	-
	1,116,700	766,274
Total receivables from non-exchange transactions	1,116,700	766,274

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

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

Other receivables from non-exchange transactions above relates to:

Traffic fines arises from fines revenue as disclosed in note 34 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..

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 2023, other receivables from non-exchange transactions of R 125,731,031 (2022: R 124,957,501) were impaired and provided for.

The amount of the provision was R 125,731,031 as at 30 June 2023 (2022: R 124,957,501).

Mangaung Metropolitan Municipality

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Figures in Rand	2023	2022
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4. Other receivables from non-exchange transactions (continued)

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 2023, R1,116,700 (2022: R 766,274) 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.

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R125,731,031 (2022: R 124,957,501) were impaired and provided for.

The amount of the provision was R125,731,031 as of 30 June 2023 (2022: R 124,957,501).

Reconciliation of provision for impairment for statutory receivables

Opening balance	124,957,501	136,402,427
Provision for impairment adjustment	773,530	(11,444,926)
	125,731,031	124,957,501

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4. Other receivables from non-exchange transactions (continued)		
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.		
Prior period error:		
Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.		
5. Consumer receivables from exchange transactions		
Gross balances		
Electricity	1,166,137,225	1,201,838,054
Water	4,761,153,695	4,024,156,721
Sewerage	1,195,312,342	981,563,472
Refuse	529,581,326	432,196,527
Housing rental	63,595,924	54,101,767
	7,715,780,512	6,693,856,541
Less: Allowance for impairment		
Electricity	(632,154,138)	(689,014,738)
Water	(4,271,961,024)	(3,370,072,457)
Sewerage	(1,001,688,813)	(831,762,941)
Refuse	(448,647,008)	(368,339,794)
Housing rental	(60,054,660)	(50,551,364)
	(6,414,505,643)	(5,309,741,294)
Net balance		
Electricity	533,983,087	512,823,316
Water	489,192,671	654,084,264
Sewerage	193,623,529	149,800,531
Refuse	80,934,318	63,856,733
Housing rental	3,541,264	3,550,403
	1,301,274,869	1,384,115,247
Electricity		
Current (0 -30 days)	141,765,450	133,558,993
31 - 60 days	27,301,723	205,405,772
61 - 90 days	14,082,801	17,301,819
90+ days	779,795,918	649,361,505
Meter reading estimate at year-end (Consumption across year-end)	203,207,645	196,287,271
Discounting	(16,312)	(77,306)
Less: Impairment	(632,154,138)	(689,014,738)
	533,983,087	512,823,316

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5. Consumer receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	81,343,007	264,470,622
31 - 60 days	106,873,382	170,949,599
61 - 90 days	97,851,258	116,616,494
90+ days	4,440,217,080	3,437,143,519
Meter reading estimate	34,868,968	34,976,487
Less: Impairment	(4,271,961,024)	(3,370,072,457)
	489,192,671	654,084,264
Sewerage		
Current (0 -30 days)	77,396,352	36,578,760
31 - 60 days	33,601,844	25,434,393
61 - 90 days	31,673,998	23,609,256
90+ days	1,052,640,148	895,941,063
Less: Impairment	(1,001,688,813)	(831,762,941)
	193,623,529	149,800,531
Refuse		
Current (0 -30 days)	80,782,221	13,323,062
31 - 60 days	13,248,526	10,105,134
61 - 90 days	12,495,339	9,379,900
90+ days	423,055,240	399,388,431
Less: Impairment	(448,647,008)	(368,339,794)
	80,934,318	63,856,733
Housing rental		
Current (0 -30 days)	904,331	853,301
31 - 60 days	887,067	901,227
61 - 90 days	874,490	818,407
90+ days	60,930,036	51,528,832
Less: Impairment	(60,054,660)	(50,551,364)
	3,541,264	3,550,403

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5. Consumer receivables from exchange transactions (continued)		
Summary of receivables by customer classification		
Residential and Sundry		
Current (0 -30 days)	238,685,074	135,092,697
31 - 60 days	115,249,589	160,251,412
61 - 90 days	102,914,411	112,409,974
90+ days	4,521,729,705	3,808,649,222
Meter reading estimate	238,076,613	231,263,758
Discounting	(16,312)	(77,306)
	5,216,639,080	4,447,589,757
Less: Allowance for impairment	(4,548,126,526)	(3,790,211,189)
	668,512,554	657,378,568
Business / commercial		
Current (0 -30 days)	121,434,729	272,224,363
31 - 60 days	33,391,322	35,626,339
61 - 90 days	22,096,377	27,510,230
90+days	884,692,027	566,264,056
	1,061,614,455	901,624,988
Less: Allowance for impairment	(755,038,517)	(479,461,776)
	306,575,938	422,163,212
National and provincial government		
Current (0 -30 days)	22,071,558	41,467,677
31 - 60 days	33,271,631	216,918,374
61 - 90 days	31,967,098	27,805,674
90+ days	1,350,216,690	1,058,450,001
	1,437,526,977	1,344,641,726
Less: Allowance for impairment	(1,111,340,601)	(1,040,068,330)
	326,186,376	304,573,396
Total		
Current (0 -30 days)	382,191,361	448,784,737
31 - 60 days	181,912,542	412,796,125
61 - 90 days	156,977,886	167,725,878
90+ days	6,756,638,422	5,433,363,349
Meter reading estimates	238,076,613	231,263,758
Discounting	(16,312)	(77,305)
	7,715,780,512	6,693,856,542
Less: Allowance for impairment	(6,414,505,643)	(5,309,741,295)
	1,301,274,869	1,384,115,247
Consumer receivables pledged as security		
None of the consumer receivables from exchange transactions were pledged as security for any financial liability.		
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 2023, R 868,723,569 (2022: R 989,653,505) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Current	376,029,775	437,526,471
1 month past due	177,239,182	339,973,965
2 months past due	153,098,928	160,157,188
3 months past due	162,355,684	51,995,881
	868,723,569	989,653,505

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Notes to the Consolidated Annual Financial Statements

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5. Consumer receivables from exchange transactions (continued)		
Consumer receivables impaired		
As of 30 June 2023, consumer receivables of R 6,414,505,643 (2022: R 5,309,741,294) were impaired and provided for.		
The amount of the provision was R 6,414,505,643 as of 30 June 2023 (2022: R 5,309,741,294).		
The ageing of these consumer receivables is as follows:		
1 to 3 months	14,713,904	91,649,114
Over 3 months (90+ days)	6,399,791,739	5,218,092,180
	6,414,505,643	5,309,741,294
Reconciliation of allowance for impairment of consumer receivables from exchange transactions		
Opening balance	5,309,741,294	3,979,439,629
Allowance for impairment	1,104,764,350	1,330,301,665
	6,414,505,643	5,309,741,294
Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.		
The municipality enters into settlement agreements with receivables whose accounts are long overdue and these agreements carry no interest. The balance that is settled over a period longer than 12 months is deemed to constitute a financing arrangement and is accounted for at the net present value of the future cash flows. The accounts which are due for more than 12 months are disclosed as non-current receivables.		
The creation and release of provision for impaired receivables have been included in expenses in the statement of financial performance. Unwinding of discount is included in the notes to the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.		
The maximum exposure to credit risk at the reporting date is the fair value of each class of consumer receivable mentioned above. The municipality does not hold any collateral as security.		
6. Consumer receivables from non-exchange transactions		
Gross balances		
Consumer receivables - Rates	2,121,915,082	1,770,700,356
Less: Allowance for impairment		
Consumer receivables - Rates	(1,703,007,287)	(1,431,811,916)
Net balance		
Consumer receivables - Rates	418,907,795	338,888,440
Statutory receivables included in consumer receivables from non-exchange transactions above are as follows:		
Consumer receivables - Rates	418,907,795	338,888,440
Ageing of rates receivable		
Current (0 -30 days)	79,876,714	104,486,450
31 - 60 days	80,106,442	65,286,305
61 - 90 days	72,467,189	62,155,532
91+ days	1,889,464,737	1,538,772,069
Less: Allowance for impairment	(1,703,007,287)	(1,431,811,916)
	418,907,795	338,888,440

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6. Consumer receivables from non-exchange transactions (continued)		
Summary by customer classification		
Residential and sundry		
Current (0 -30 days)	72,911,626	40,248,037
31 - 60 days	37,392,695	25,808,983
61 - 90 days	34,467,071	25,837,550
90+ days	930,408,589	734,958,960
	<u>1,075,179,981</u>	<u>826,853,530</u>
Less: Allowance for impairment	(902,449,246)	(700,420,547)
	<u>172,730,735</u>	<u>126,432,983</u>
Business / commercial		
Current (0 -30 days)	5,306,976	43,425,727
31 - 60 days	19,886,718	19,001,256
61 - 90 days	18,241,712	15,875,257
90+ days	503,443,072	348,843,632
	<u>546,878,478</u>	<u>427,145,872</u>
Less: Allowance for impairment	(394,339,329)	(293,870,561)
	<u>152,539,149</u>	<u>133,275,311</u>
Government		
Current (0 -30 days)	1,658,111	20,812,685
31 - 60 days	22,827,029	20,476,066
61 - 90 days	19,758,407	20,442,724
90+ days	455,613,076	454,969,478
	<u>499,856,623</u>	<u>516,700,953</u>
Less: Allowance for impairment	(406,218,713)	(437,520,808)
	<u>93,637,910</u>	<u>79,180,145</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	1,431,811,916	916,946,967
Contributions to allowance	271,195,371	514,864,949
	<u>1,703,007,287</u>	<u>1,431,811,916</u>

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

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.

Prior year errors:

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand 2023 2022

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 2023: R152,573,631 (2022: R127,441,837) were past due but not impaired.

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

1 month past due	80,106,442	65,286,305
2 months past due	72,467,189	62,155,532
	<u>152,573,631</u>	<u>127,441,837</u>

Consumer receivables from non-exchange transactions impaired

As at 30 June 2023, consumer receivables from non-exchange transactions of R1,703,007,287 (2022: R1,431,811,916) were impaired and provided for.

The ageing of amounts impaired is as follows:

Over 3 months	<u>1,703,007,287</u>	<u>1,431,811,916</u>
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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 2023, R152,573,631 (2022: R127,441,837) were past due but not impaired.

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

1 month past due	80,106,442	65,286,305
2 months past due	72,467,189	62,155,532
	<u>152,573,631</u>	<u>127,441,837</u>

Statutory receivables impaired

As of 30 June 2023, Statutory receivables of R1,703,007,287 (2022: R1,431,811,916) were impaired and provided for.

The amount of the provision was R1,703,007,287 as of 30 June 2023 (2022: R1,431,811,916).

Reconciliation of provision for impairment for statutory receivables

Opening balance	1,431,811,916	916,946,967
Provision for impairment	271,195,371	514,864,949
	<u>1,703,007,287</u>	<u>1,431,811,916</u>

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022
7. Other receivables from exchange transactions		
Accrued interest on investments	488,604	88,667
Deferred lease	11,280,691	12,237,298
Deposits	1,103,741	1,075,818
DOE Grant - Southern Free State Towns	4,737,728	4,737,728
Kopanong Local Municipality	37,075,823	26,034,149
Mohokare Local Municipality	82,292,309	70,469,240
Other receivables	9,975,320	7,367,011
Overpayment of contractors	-	19,351,080
Impairment - Overpayment of contractors	-	(19,351,079)
Prepaid electricity vendors	11,707,724	22,739,742
Prepaid expenses - Fleet	63,416,238	-
Prepaid water vendors	12,189,583	11,321,468
Receipt reversal	467,014	454,600
Staff leave days receivable	7,143	14,003
Sundry receivables	154,912,481	142,586,163
Impairment - Sundry receivables	(97,619,156)	(89,357,981)
Cricket stadium	-	2,573,558
Impairment - Cricket stadium	-	(2,573,558)
Housing and erven selling schemes	3,310,905	3,131,465
Impairment - Housing and erven selling schemes	(3,250,689)	(3,076,017)
	292,095,459	209,823,355

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 2023, R 14,311,689 (2022: R 9,901,219) were past due but not impaired.

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

1 month past due	14,311,689	9,901,219
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Other receivables from exchange transactions impaired

As of 30 June 2023, trade and other receivables of R100,869,845 (2022: R114,358,635) were impaired and provided for.

The amount of the provision was R100,869,845 as of 30 June 2023 (2022: R114,358,635).

The ageing of these receivables are as follows:

Over 3 months	100,869,845	114,358,635
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Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	114,358,635	97,136,351
Provision for impairment	(13,488,790)	17,222,284
	100,869,845	114,358,635

Other receivables from exchange transactions consist of receivables raised from other income from exchange transactions recognised (refer to note 36 - Other income).

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand 2023 2022

7. Other receivables from exchange transactions (continued)

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 68.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	143,049	143,049
Bank balances	74,035,408	43,652,545
Short-term deposits	636,982,459	687,495,330
	711,160,916	731,290,924

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	711,017,867	731,147,875
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Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID Reserve	27,371,099	25,857,106
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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.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

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8. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Mangaung Metropolitan Municipality						
Nedbank 1186196793 (Primary Account)	39,053,647	35,091,277	20,488,683	41,117,133	34,833,656	20,478,683
Nedbank 1186245379 (Traffic)	-	-	-	10,920	9,274	4,550
Nedbank 1186660643 (Charges)	-	-	-	(53,416)	(45,893)	(46,584)
Nedbank 1186239778 (Cashiers)	-	-	-	2,779,685	1,860,814	1,964,827
Nedbank 1186414936 (Fresh Produce Market)	4,835,437	4,416,943	5,289,942	4,835,437	4,416,943	5,289,942
ABSA 470000465 (Primary Account)	1,402,707	337,426	1,110,350	1,402,707	337,426	1,110,350
Centlec (SOC) Limited						
ABSA - Cheque Account 4058833582	4,032,634	694,130	14,244,652	7,765,659	4,579,005	19,079,605
ABSA - Cheque Account 4055133721	7	7,785	2,184	7	(2,215)	2,183
ABSA - Cheque Account 4054065339	18,646	16,772	17,711	37,387	(16,524)	(15,526)
ABSA - Cheque Account 470001402	1,395,908	4,538,094	3,678,568	1,105,537	(1,946,261)	(2,491,747)
ABSA - Cheque Account 4054530924	-	258	(282)	(295)	(882)	(1,422)
ABSA - Cheque Account 4078209583	21,043	93,919	126,423	(72,348)	(345,125)	(715,953)
ABSA - Cheque Account 4080522070	7,409	377	3,684	7,409	378	11,049
ABSA - Cheque Account 4080521896	79	685	656	79	685	656
ABSA - Cheque Account 9326102088	15,099,918	1,168	98	15,099,508	(28,736)	(56,744)
Total	65,867,435	45,198,834	44,962,669	74,035,409	43,652,545	44,613,869

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	27,723,240	26,630,174
Nedbank	609,259,219	660,865,156
	636,982,459	687,495,330

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand 2023 2022

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,587,424,015	-	1,587,424,015	1,585,611,015	-	1,585,611,015

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	1,585,611,015	1,813,000	1,587,424,015

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

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.

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 2023. 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	1,180,430,000
Non-revenue generating investment property	406,994,015	405,181,015
	1,587,424,015	1,585,611,015

Amounts recognised in surplus or deficit

Rental revenue from Investment property	5,931,598	5,812,038
Direct operating expenses (excluding repairs and maintenance)	7,567,795	5,658,787

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

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,295,082,484	-	1,295,082,484	1,299,746,985	-	1,299,746,985
Buildings	1,164,647,556	(61,928,205)	1,102,719,351	1,165,575,107	(19,207,809)	1,146,367,298
Buildings - Service concession asset	304,960,000	-	304,960,000	304,960,000	-	304,960,000
Buildings WIP	14,846,579	-	14,846,579	14,067,083	-	14,067,083
Infrastructure - Roads and roads related	6,432,179,612	(3,694,301,996)	2,737,877,616	6,186,956,993	(3,466,785,671)	2,720,171,322
Infrastructure - Sanitation network	3,574,627,785	(1,238,016,018)	2,336,611,767	3,495,727,482	(1,115,365,700)	2,380,361,782
Infrastructure - Water meters	117,890,087	(16,647,351)	101,242,736	103,958,144	(2,191,096)	101,767,048
Infrastructure - Water network	2,497,665,508	(1,152,183,945)	1,345,481,563	2,483,713,228	(1,083,848,803)	1,399,864,425
Infrastructure - Roads and roads related Service concession asset	207,856,318	(67,298,215)	140,558,103	207,856,318	(67,298,215)	140,558,103
Infrastructure - WIP	1,013,491,431	-	1,013,491,431	1,060,749,545	(1,892,624)	1,058,856,921
Community - Landfill sites and quarries	756,160,475	(632,444,373)	123,716,102	767,758,299	(608,811,993)	158,946,306
Community - Other	1,348,456,098	(770,016,228)	578,439,870	1,347,231,470	(719,117,763)	628,113,707
Community - WIP	146,481,244	-	146,481,244	116,965,759	(1,935,806)	115,029,953
Fleet	688,148,223	(356,278,087)	331,870,136	657,433,520	(315,171,439)	342,262,081
Other property, plant and equipment	223,737,332	(172,753,223)	50,984,109	219,786,124	(163,639,357)	56,146,767
Infrastructure - Sanitation network - Service concession asset	39,105,058	(3,556,384)	35,548,674	39,105,058	(3,556,384)	35,548,674
Infrastructure - Electricity network	7,303,379,805	(1,499,729,025)	5,803,650,780	7,142,861,986	(1,260,458,197)	5,882,403,789
Infrastructure - Water network Service concession asset	14,836,180	(1,691,362)	13,144,818	14,836,180	(1,691,362)	13,144,818
Total	27,143,551,775	(9,666,844,412)	17,476,707,363	26,629,289,281	(8,830,972,219)	17,798,317,062

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,299,746,985	396,499	-	(5,061,000)	-	-	-	1,295,082,484
Buildings	1,146,367,298	342,449	-	(1,270,000)	-	(42,720,396)	-	1,102,719,351
Buildings - Service concession asset	304,960,000	-	-	-	-	-	-	304,960,000
Buildings WIP	14,067,083	779,496	-	-	-	-	-	14,846,579
Infrastructure - Roads and roads related	2,720,171,322	117,890,830	(21,976,812)	180,867,583	-	(259,075,307)	-	2,737,877,616
Infrastructure - Sanitation network	2,380,361,782	18,192,182	(428,800)	60,968,534	-	(122,481,931)	-	2,336,611,767
Infrastructure - Water meters	101,767,048	14,660,289	(568,350)	-	-	(14,616,251)	-	101,242,736
Infrastructure - Water network	1,399,864,425	-	(646,036)	17,513,680	-	(71,250,506)	-	1,345,481,563
Infrastructure - WIP	1,058,856,921	399,891,595	-	(440,679,784)	-	-	(4,577,301)	1,013,491,431
Community - Landfill sites and quarries	158,946,306	-	(1,202,044)	-	(9,890,248)	(19,153,683)	(4,984,229)	123,716,102
Community - Other	628,113,707	1,460,243	(3,379)	-	-	(51,086,777)	(43,924)	578,439,870
Community - WIP	115,029,953	31,451,291	-	-	-	-	-	146,481,244
Infrastructure - Roads and roads related Service concession asset	140,558,103	-	-	-	-	-	-	140,558,103
Fleet	342,262,081	34,579,282	(189,709)	-	-	(36,238,477)	(8,543,041)	331,870,136
Other property, plant and equipment	56,146,767	11,506,399	(1,316,763)	-	-	(15,328,542)	(23,752)	50,984,109
Infrastructure - Sanitation network - Service concession asset	35,548,674	-	-	-	-	-	-	35,548,674
Infrastructure - Electricity network	5,882,403,789	52,356,611	(24,169,299)	124,943,062	3,594,598	(203,344,865)	(32,133,116)	5,803,650,780
Infrastructure - Water network Service concession asset	13,144,818	-	-	-	-	-	-	13,144,818
	17,798,317,062	683,507,166	(50,501,192)	(62,717,925)	(6,295,650)	(835,296,735)	(50,305,363)	17,476,707,363

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1,567,004,153	12,740,331	(875,000)	(8,241,163)	(270,881,336)	-	-	1,299,746,985
Buildings	1,011,111,698	-	(1,687,420)	5,990,545	167,258,606	(36,306,131)	-	1,146,367,298
Buildings - Service concession asset	234,804,072	-	-	-	82,421,118	(12,265,190)	-	304,960,000
Buildings WIP	12,231,301	1,835,782	-	-	-	-	-	14,067,083
Infrastructure - Roads and roads related	2,618,433,741	84,243,720	(27,230,433)	302,667,913	-	(257,943,619)	-	2,720,171,322
Infrastructure - Sanitation network	2,498,109,074	176,503	(65,044)	5,074,604	-	(122,933,355)	-	2,380,361,782
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	22,524,651	(2,328,218)	13,292,947	-	(73,094,556)	-	1,399,864,425
Infrastructure - WIP	1,079,692,365	471,563,291	-	(490,506,111)	-	-	(1,892,624)	1,058,856,921
Community - Landfill sites and quarries	209,171,408	-	-	-	(1,971,382)	(45,215,827)	(3,037,893)	158,946,306
Community - Other	673,037,834	10,173,317	-	-	-	(54,272,731)	(824,713)	628,113,707
Community - WIP	118,137,696	12,647,921	-	(13,819,858)	-	-	(1,935,806)	115,029,953
Infrastructure - Roads and roads related Service concession asset	144,771,628	-	-	10,973,385	-	(15,186,910)	-	140,558,103
Fleet	371,061,032	25,967,740	(1,355,379)	-	-	(35,598,392)	(17,812,920)	342,262,081
Other property, plant and equipment	54,766,669	17,585,538	(92,179)	-	-	(16,095,400)	(17,861)	56,146,767
Infrastructure - Sanitation network Service concession asset	26,918,397	-	-	9,373,152	-	(742,875)	-	35,548,674
Infrastructure - Electricity network	5,916,447,652	71,823,030	(7,606,838)	105,303,948	(287,814)	(203,013,833)	(262,356)	5,882,403,789
Infrastructure - Water network Service concession asset	13,490,201	-	-	-	-	(345,383)	-	13,144,818
	18,137,740,963	731,281,824	(42,849,869)	(22,072,628)	(85,133,001)	(894,866,054)	(25,784,173)	17,798,317,062

Mangaung Metropolitan Municipality

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10. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment were pledged as security for any financial liability, except for assets subjected to finance leases.

Assets subject to finance lease (Net carrying amount)

Fleet	-	48,437,105
Other property, plant and equipment	2,069,670	3,509,621
	2,069,670	51,946,726

Revaluations

Mangaung Metropolitan Municipality

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.

Centlec (SOC) Ltd

The effective date of the revaluations for land and buildings was year-end 30 June 2020. Revaluations for land and buildings were performed by the independent valuers, Mr. Theunis Hendrik Myburgh & Mr. Raymond Taylor, professional valuers in terms of the Valuers' Act (Act 23 of 1982) of Equity Valuers. Equity Valuers are not connected to the municipal entity.

Revaluations of electricity infrastructure:

The effective date of the revaluations for the assets was year-end 30 June 2020. Revaluations was performed by the independent valuers, Mr Marius Koch (B Eng. Civil, BSC ITM (Information Technology) and Mrs. Anré Swart (Pr. Eng. GCC, MBA), Engineering Council of South Africa (ECSA) (Reg.no 20110016) from EMS Solutions (Pty) Ltd. EMS Solutions (Pty) Ltd is not connected to the municipal entity.

The effective date of the revaluations for the infrastructure assets was year end 30 June 2020. Revaluations for infrastructure assets was performed by the independent valuers, Mr Marius Koch (B Eng Civil, BSC ITM (Information Technology) and Mrs. Anré Swart (Pr.Eng, GCC, MBA), Engineering Council of South Africa (ECSA) (Reg.no 20110016) from EMS Solutions (Pty) Ltd. EMS Solutions (Pty) Ltd is not connected to the municipal entity.

The valuations were performed using the depreciated replacement costs method.

Unit rates are obtained for each asset through quotation. Unit rates are adjusted with the following factors:

- Preliminary & General (P & G's)
- Contingencies
- Engineering fees
- Location factor

The depreciated replacement costs are calculated by taking into account the estimated useful life and the condition of the asset.

Depreciated replacement costs = (Current Replacement Cost – Residual Value) x (Remaining Useful Life / Estimated Useful life) + Residual Value.

Mangaung Metropolitan Municipality

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10. Property, plant and equipment (continued)

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.

Prior period errors

Certain prior period figures were restated due to errors identified in the current financial year, refer to note 68 for further details.

Change in estimate

For certain classes of property, plant and equipment the remaining useful lives were adjusted to a minimum remaining useful life of 3 years, refer to note 67 for further detail.

Carrying value of property, plant and equipment that is taking a significantly longer period

Mangaung Metropolitan Municipality

Implementation of projects affected by the appointment of new service providers:

Project C273/PP3 & C534 - Botshabelo Development Node Phase 2	22,597,512	22,597,512
Project C415/B1 - Internal sewer reticulation - 9981631	11,736,430	11,736,430
Project T1432, -1, -2 - T1432 MAN 10786 Bergman Square	-	25,826,914
Project W1107(1), (3) - Refurbishment of Water Supply Systems	34,893,642	34,893,642

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 T1536 - Heavy Rehabilitation of Zastron Street	1,086,617	1,086,617
Project W1404, A, B, C - Botshabelo and Thaba Nchu internal bulk	13,482,202	13,482,202
Project W1515 - Maselspoort WTW Refurbishment	2,809,609	2,809,609
Project T1527B, C - Botshabela: 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

Contracts/Projects placed on hold:

Project C288, 155 - Relocation of Zoo	17,213,348	17,213,348
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Centlec (SOC) Ltd

Implementation of projects affected by budgetary constraints:

The project to convert the old power station	11,057,942	10,278,446
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Contracts/Projects placed on hold:

Solar farm project	591,000	591,000
	146,356,189	171,403,607

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	288,732,010	410,490,266
General expenditure	29,063,922	23,597,052
	317,795,932	434,087,318

Prior period figures for contracted services (repairs and maintenance) was restated due to errors, refer to note 68 for prior period errors.

Mangaung Metropolitan Municipality

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10. Property, plant and equipment (continued)

Deemed cost

Deemed cost was determined using depreciated replacement cost.

11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	68,944,181	(54,617,235)	14,326,946	73,932,148	(51,685,630)	22,246,518
Intangible assets - WIP	10,504,064	-	10,504,064	6,723,859	-	6,723,859
Servitudes	115,765,125	-	115,765,125	105,748,273	-	105,748,273
Total	195,213,370	(54,617,235)	140,596,135	186,404,280	(51,685,630)	134,718,650

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software	22,246,518	4,747,931	(3,658,036)	(9,009,467)	-	14,326,946
Intangible assets - WIP	6,723,859	3,780,205	-	-	-	10,504,064
Servitudes	105,748,273	-	-	-	10,016,852	115,765,125
	134,718,650	8,528,136	(3,658,036)	(9,009,467)	10,016,852	140,596,135

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	22,443,671	15,423,436	(3,204,085)	(12,416,504)	22,246,518
Intangible assets - WIP	4,048,347	2,675,512	-	-	6,723,859
Servitudes	78,548,273	27,200,000	-	-	105,748,273
	105,040,291	45,298,948	(3,204,085)	(12,416,504)	134,718,650

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	10,504,064	6,723,859
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Intangible assets with indefinite useful lives

Servitudes	115,765,125	105,748,273
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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.

Certain prior period figures were restated due to errors identified in the current financial year, refer to note 68 for further details.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Prior period error:

Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.

Mangaung Metropolitan Municipality

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12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Vintage fleet	10,029,320	-	10,029,320	8,301,224	-	8,301,224
Buildings and statues	244,666,687	-	244,666,687	244,666,687	-	244,666,687
Total	254,696,007	-	254,696,007	252,967,911	-	252,967,911

Reconciliation of heritage assets 2023

	Opening balance	Revaluation increase	Total
Vintage fleet	8,301,224	1,728,096	10,029,320
Buildings and statues	244,666,687	-	244,666,687
	252,967,911	1,728,096	254,696,007

Reconciliation of heritage assets 2022

	Opening balance	Revaluation (Reserve)	Revaluation increase	Total
Vintage fleet	7,448,584	-	852,640	8,301,224
Buildings and statues	279,968,687	(35,302,000)	-	244,666,687
	287,417,271	(35,302,000)	852,640	252,967,911

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 2023. 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.

Prior period errors:

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.)

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.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022
13. Other financial assets		
Designated at fair value		
2535 Unlisted shares (Thaba Nchu) - OVK Limited	49,480	43,303
2573 Unlisted shares (Naledi) - OVK Limited	54,290	46,314
3685 Unlisted shares - Senwes Ltd	40,000	34,642
	143,770	124,259
At amortised cost		
Housing and erven selling schemes	9,886,422	9,864,916
Impairment - Housing and erven selling schemes	(9,874,415)	(9,836,219)
Kopanong Local Municipality	189,791	369,719
Mohokare Local Municipality	109,966	203,751
	311,764	602,167
Total other financial assets	455,534	726,426
Current assets		
At amortised cost	191,345	273,713
Non-current assets		
Designated at fair value	143,770	124,259
At amortised cost	120,419	328,454
	264,189	452,713

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.

Kopanong Local Municipality

The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%.

Mohokare Local Municipality

The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bears interest at 10%.

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	143,770	124,259
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Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

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13. Other financial assets (continued)

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 2023, other non-current assets of R9,874,415 (2022: R9,836,219) were impaired and provided for.

The amount of the provision was R9,874,415 as of 30 June 2023 (2022: R9,836,219).

The ageing of these loans are as follows.

Over 6 months	9,874,415	9,836,219
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Reconciliation of provision for impairment of financial assets at amortised cost

Housing and Erven selling scheme

Opening balance	9,836,219	9,860,204
Provision for impairment	38,196	(23,985)
	9,874,415	9,836,219

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.

Renegotiated terms:

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

Fair value of the other financial assets approximates the carrying value at year end..

Financial assets pledged as security

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

14. Living resources

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Zoo animals	5,021,265	(1,850,264)	3,171,001	5,558,065	(1,851,863)	3,706,202

Reconciliation of living resources - 2023

	Opening balance	Increase through non exchange functions	Decrease due to death	Revaluation	Depreciation	Total
Zoo animals	3,706,202	660,800	(1,110,640)	192,933	(278,294)	3,171,001

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14. Living resources (continued)

Reconciliation of living resources - 2022

	Opening balance	Increase through non exchange functions	Decrease due to death	Revaluation	Depreciation	Total
Zoo animals	2,791,001	476,200	(106,447)	749,598	(204,150)	3,706,202

Revaluations

Zoo animals

The effective date of the revaluation was 30 June 2022. The revaluation was performed by Beryl Wilson (Zoologist & Conservation Biologist), an independent 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

Prior year figures were restated due to a change in accounting policy in the current financial year, refer to note 68.

15. Deferred tax

Deferred tax liability

Opening balance	(1,358,071,535)	(1,383,924,798)
Property, plant and equipment	23,732,891	26,220,989
Taxable temporary differences	1,007,153	(367,726)
	(1,333,331,491)	(1,358,071,535)

Deferred tax asset

Opening balance	1,342,777,625	1,288,903,893
Taxable temporary differences	(55,688,404)	16,369,644
Tax losses available for set off against future taxable income	127,764,950	37,504,088
	1,414,854,171	1,342,777,625

Net deferred tax liability

Deferred tax liability	(1,333,331,491)	(1,358,071,535)
Deferred tax asset	1,414,854,171	1,342,777,625
	81,522,680	(15,293,910)

Mangaung Metropolitan Municipality

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Figures in Rand	2023	2022
15. Deferred tax (continued)		
Reconciliation of deferred tax asset / (liability)		
Opening balance	(15,293,910)	(95,020,905)
Depreciable assets	23,732,891	26,220,989
Finance lease	(202,519)	34,514
Provisions	(53,932,521)	15,967,405
Assessed loss	127,764,950	37,504,087
Rate change	(546,211)	-
	81,522,680	(15,293,910)

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the municipality has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset arose as a result of the municipal entity not having been subject to income tax in the past. However in the 2014/15 financial year the municipal entity had to account for income tax which resulted in the wear and tear allowances being in excess of the available surplus. The municipal entity has the ability to generate profit in the foreseeable future against which temporary differences will be utilised.

Deferred tax assumptions

As at 30 June 2016 no guidance was received from SARS on the transition from a tax-exempt entity to a taxable entity. Due to this, uncertainties in the calculation of the municipal entity's taxation exist and will continue to exist going forward until a pronouncement is made by SARS on the municipal entity's tax calculation. In the absence of a pronouncement from SARS and the fact that the municipal entity is no longer tax exempt, the municipal entity had to make certain key assumptions relating to income- and deferred tax to be able to account for tax.

These assumptions are set out as follows:

Infrastructure assets

The base cost for the electrical infrastructure assets of the municipal entity was determined by using the audited infrastructure fixed asset register. The tax exemption for the municipal entity was no longer applicable as at the 1 July 2014, on this date the municipal entity embarked on an exercise to determine the base cost for each of the Infrastructure assets. The closing balance for the 2013/2014 financial year was deemed as the most accurate value to be used as the base cost and carrying values for tax purposes moving forward. Up until 1 July 2014 management had never claimed any wear & tear on infrastructure assets. The base cost was therefore the deemed cost as at 1 July 2014.

Infrastructure assets of the municipal entity are all carried on the revaluation model as per GRAP 17 - Property plant and equipment. There is no General Recognised Accounting Standards standard applicable to taxation, therefore the municipal entity referred to the international accounting standards (IAS) for further guidance, which is IAS 12: Income taxation. Through inspection of the income tax act and the practice notes it was noted that there was no clear guidance regarding the write off periods for electrical infrastructure assets. Due to this Section 12D of the income tax act was deemed as the best alternative to use to determine the write off periods for most of the electrical infrastructure assets. Section 12D was applied to the following electrical infrastructure assets: High Voltage conductors, Medium Voltage conductors, Low Voltage conductors and the Streetlights. All other categories of infrastructure assets could operate independent of transmission lines and Section 12D would not be applicable to these assets.

Mangaung Metropolitan Municipality

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15. Deferred tax (continued)

As per the Income Tax Act, 1962 (Act 58 of 1962) the kind of information that could be useful in determining the expected useful life of an asset/write off period include:

- Independent engineering information;
- The taxpayer's own past experience with similar assets;

Based on the above and due to insufficient guidance in the Income Tax Act, 1962 (Act 58 of 1962) the option of best professional judgment in determining an accurate write off period for the Infrastructure assets was used as follows:

- For all the distribution lines and cables a 5% write off period was used; and
- For all other infrastructure assets a 5 year write off period was adopted as the assets have been in operation for some time and as per the engineering information, they cannot fall within Section 12D of the Income Tax Act, 1962 (Act 58 of 1962).

Section 12 of the Income Tax Act, 1962 (Act 58 of 1962) was applied therefore no apportionment of the wear and tear was done. The wear and tear of assets is the amount that the South African Receiver of Revenue considers an appropriate write off timeframe for each asset.

The wear and tear was calculated as follows:

- The depreciated replacement cost was taken per asset and any addition for the year was added and this value was multiplied by 20%; and
- When an asset is disposed of during the financial year wear and tear is still calculated for that asset and an inspection for a possible recoupment is done.

Non-Infrastructure assets

All assets other than infrastructure assets were written off by making use of Practice note 19.

Debt impairment

The provision for debt impairment is limited as a tax deduction to the extent that the originating revenue was taxable. Since the municipal entity was tax exempt for a period the revenue recognised and subsequently impaired during this period could not fully be included as a tax deduction. Due to this only the movement in the debt impairment for the year when the municipal entity first became taxable was used in calculating the tax.

16. Payables from exchange transactions

Accrued bonus	45,749,312	44,666,528
Accrued leave pay	278,035,345	271,362,277
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	53,620,729	97,668,946
Retentions	134,376,736	134,719,847
Trade payables	1,009,714,726	1,151,650,881
Deferred revenue	19,336,993	17,431,959
Operating expense accrual	5,619,183	4,435,279
Electricity connections	13,942,470	18,666,875
Mantsopa Local Municipality	170,079	145,975
Bulk water purchases	821,395,331	690,166,388
	2,387,846,171	2,436,800,222

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 221 days (2022: 222 days).

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

17. Payables from non-exchange transactions

Deposits	922,463	918,008
Other payables	1,780,940	1,737,395
Other payables - Grants	85,535,540	-
Payments received in advance	178,063,087	305,099,836
Unallocated electricity consumer and vendor payments received in advance	25,522,925	47,936,926
	291,824,955	355,692,165

Mangaung Metropolitan Municipality

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18. VAT payable

VAT payable	41,037,036	46,297,782
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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 68.

Statutory payables included in VAT payables above are as follows:

VAT payable	41,037,036	46,297,782
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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 payables generated interest income and no other levies were charged.

Statutory receivables impaired:

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

19. Consumer deposits

Electricity	160,495,800	130,373,809
Water deposits	34,408,218	33,839,791
	194,904,018	164,213,600

Guarantees in lieu of consumer water deposits amounted to R2,985,439 (2022: R2,892,133), vendor deposits amounted to R11,018,000 (2022: R11,118,891) and electricity consumer deposits amounted to R43,469,744 (2022: R38,011,705).

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

Fair value approximates the carrying value of the vendor deposits.

Mangaung Metropolitan Municipality

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20. 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
Expanded Public Work Programme Integrated Grant	183,852	14,136
Finance Management Grant	120,208	104,467
Human Settlements Provincial Grant	53,746,060	53,746,060
Informal Settlements Upgrading Partnership Grant	115,228,772	132,207,474
Local Government Sector Education and Training Authority Grant	9,962,668	5,299,588
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
Programme and Project Preparation Support Grant	4,089,154	1,454,500
Public Transport Network Grant	145,453,626	92,786,580
Department of Sports, Arts and Culture - Admin Libraries Grant	6,036,893	5,320,906
Urban Settlements Development Grant	31,572,049	272,353,593
	369,930,232	571,039,043

Movement during the year

Balance at the beginning of the year	571,039,043	35,662,707
Surrendered to National Treasury	(377,235,540)	(18,379,000)
Current year receipts	2,294,554,160	2,637,296,759
Conditions met - transferred to revenue	(2,118,427,431)	(2,080,812,087)
Transferred to other income	-	(2,729,336)
	369,930,232	571,039,043

See note 40 for reconciliation of grants from National and Provincial Government.

21. Finance lease obligation

Minimum lease payments due

- within one year	1,566,823	14,725,128
- in second to fifth year inclusive	-	1,566,823
	1,566,823	16,291,951
less: future finance charges	(55,644)	(695,911)
	1,511,179	15,596,040

Present value of minimum lease payments due

- within one year	1,511,179	14,084,861
- in second to fifth year inclusive	-	1,511,179
	1,511,179	15,596,040

Non-current liabilities	-	1,511,179
Current liabilities	1,511,179	14,084,861
	1,511,179	15,596,040

Mangaung Metropolitan Municipality:

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.

Mangaung Metropolitan Municipality

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21. Finance lease obligation (continued)

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer Note 10 for further detail.

Centlec (SOC) Ltd:

It is the municipal entity's policy to lease certain photo copier machines under finance leases. The average lease term is 3 years and the average effective borrowing rate was 9.25%. Initial lease payments varied between R6,442 and R8,647 per month and are subject to prime lending rates.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

22. Other financial liabilities

At amortised cost

ABSA Nr: 23135 - redeemable on 30 October 2026	233,627,364	286,803,839
ESKOM Debt relief in terms of MFMA Circular no. 124	257,880,585	-
DBSA Nr: 103433/01 - redeemable on 29 January 2027	65,247,987	80,699,242
DBSA Nr: 103433/02 - redeemable on 29 January 2027	16,846,784	21,310,187
DBSA Nr: 61007294 - Redeemable on 30 June 2025	87,740,460	150,175,483
Standard Bank Nr: 041303636 - Redeemable on 30 December 2024	66,362,669	129,906,081
	727,705,849	668,894,832
Total other financial liabilities	727,705,849	668,894,832

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%.

The municipal entity applied for ESKOM debt relief in terms of MFMA Circular no. 124. In terms of this circular the ESKOM debt balance payable as at 31 March 2023 of R386,820,878 will be written off over a three year period. Two thirds of this value is thus recognised as a non current other financial liability.

Non-current liabilities

At amortised cost	564,887,631	470,121,326
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Current liabilities

At amortised cost	162,818,218	198,773,506
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Defaults and breaches

The municipality defaulted on the following borrowings during the prior year end:

Loans payable including capital and interest

Details of loans in default (payable by 30 June each year)

DBSA Nr: 103433/01	-	80,699,242
DBSA Nr: 103433/02	-	21,310,187
DBSA Nr: 61007294	-	150,175,483
Standard Bank Nr: 041303636	-	129,906,081
Carrying amount of loans payable in default at end of reporting period	-	382,090,993

All the defaults on the above borrowings were remedied through payment of the accrued capital and interest amounts on the 8th of July 2022.

Mangaung Metropolitan Municipality

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23. Provisions

Rehabilitation of landfill sites	242,605,001	225,221,932
Rehabilitation of quarry sites	566,156,795	520,287,727
	808,761,796	745,509,659

Reconciliation of provisions - 2023

	Opening Balance	Unwinding	Fair value adjustment	Total
Rehabilitation of landfill sites	225,221,932	23,783,436	(6,400,367)	242,605,001
Rehabilitation of quarry sites	520,287,727	49,358,949	(3,489,881)	566,156,795
	745,509,659	73,142,385	(9,890,248)	808,761,796

Reconciliation of provisions - 2022

	Opening Balance	Unwinding	Fair value adjustment	Total
Rehabilitation of landfill sites	157,897,015	16,689,714	50,635,203	225,221,932
Rehabilitation of quarry sites	523,500,600	55,345,228	(58,558,101)	520,287,727
	681,397,615	72,034,942	(7,922,898)	745,509,659

Non-current liabilities	691,222,696	642,776,384
Current liabilities	117,539,100	102,733,275
	808,761,796	745,509,659

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 2023 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	2034
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 is uncertain and the amounts disclosed are the possible outflow amounts.

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23. 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 2023 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>	
Cecilia	2026	Seroala	2026
Sunnyside	2026	Thubisi	2026
Kgotsong	2026	Potsane	2026
Ipopeng	2026	Merino	2026
Chris Hanani	2026	Rakhoi	2026
Caleb Motsoabi	2026	Sediba	2026
		Rooibult	2026
		Kgalala	2026
<u>Botshabelo</u>		Baraclava 1	2026
K-Section	2026	Baraclava	2026
F1-Section	2026	Bultfontein 3	2026
F2.1-Section	2026	Modutung	2026
F2.2-Section	2026	Talla	2026
W-Section	2026	Nogas Post	2026
S-Section	2026	Motlatla	2026
B-Section	2026		

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	5.66%	7.41%
Risk-free rate	10.53%	10.56%

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.

Prior period error:

Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

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	2023	2022
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24. Employee benefit obligations

Present value of the Long service award benefit	132,267,000	134,672,001
Present value of the Pension fund benefit	1,677,600	1,753,000
Present value of the Post-employment medical aid benefit	454,699,000	477,084,000
	588,643,600	613,509,001

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

Opening balance	613,509,001	608,645,000
Interest cost	69,300,000	58,849,000
Current service cost	28,924,000	29,801,000
Benefits paid	(33,825,931)	(37,120,897)
Actuarial (gain)/loss	(89,263,470)	(46,665,102)
	588,643,600	613,509,001
Non-current liabilities	553,437,600	579,013,001
Current liabilities	35,206,000	34,496,000
	588,643,600	613,509,001

Net expense recognised in the statement of financial performance

Interest cost	69,300,000	58,849,000
Current service cost	28,924,000	29,801,000
Actuarial (gains) losses	(89,263,470)	(46,665,102)
	8,960,530	41,984,898

Mangaung Metropolitan Municipality

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24. Employee benefit obligations (continued)

Changes in present value of the defined benefit obligation

	Pension fund	Medical aid	Long service award	Total
2023				
Opening balance	1,753,000	477,084,000	134,672,001	613,509,001
Interest cost	160,000	55,525,000	13,615,000	69,300,000
Current service cost	-	18,238,000	10,686,000	28,924,000
Benefits paid	(254,000)	(15,082,000)	(18,489,931)	(33,825,931)
Actuarial (gain)/loss	18,600	(81,066,000)	(8,216,070)	(89,263,470)
	1,677,600	454,699,000	132,267,000	588,643,600
2022				
Opening balance	2,015,000	465,105,000	141,525,001	608,645,001
Interest cost	148,000	46,821,000	11,880,000	58,849,000
Current service cost	-	18,058,000	11,743,000	29,801,000
Benefits paid	(271,000)	(14,304,000)	(22,545,898)	(37,120,898)
Actuarial (gain)/loss	(139,000)	(38,596,000)	(7,930,102)	(46,665,102)
	1,753,000	477,084,000	134,672,001	613,509,001

Key assumptions used

Assumptions used at the reporting date:

Discount rate - Pension Fund	10.14 %	9.85 %
Discount rate - Medical Aid	12.47 %	11.82 %
Discount rate - Long Service Award	10.66 %	10.50 %
Health care cost inflation rate	8.08 %	8.43 %
Maximum subsidy inflation rate	5.69 %	5.95 %
General earnings inflation rate (Mangaung Metro Municipality)	6.24 %	7.24 %
General earnings inflation rate (Centlec SOC (Ltd))	5.40 %	6.25 %
Pension fund inflation rate	4.94 %	6.11 %
Expected retirement age (years) (Mangaung Metro Municipality)	62 years	62 years
Expected retirement age (years) (Centlec SOC (Ltd))	63 years	63 years

Mangaung Metropolitan Municipality

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24. 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 10.14% (2022: 9.85%) per annum has been used. The corresponding index-linked yield at this term is 4.48%. 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 2023.

Pension fund inflation rate:

This assumption is required to reflect estimated future changes to pensions. The expected CPI inflation assumption of 4.94% (2022:6.11%) was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.48%) and those of fixed interest bonds (10.14%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+10.14\%-0.50\%)/(1+4.48\%))-1$. Therefore, a pension inflation rate of 4.94% has been assumed i.e. 100% of expected CPI inflation. This implies a net discount rate of 4.96%, which derives from $((1+10.14\%)/(1+4.94\%))-1$.

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 12.47% (2022:11.82%) per annum has been used. The corresponding index-linked yield at this term is 5.06%. 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 2023.

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 8.08% (2022: 8.43%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.58%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.06% which derives from $((1+12.47\%)/(1+8.08\%))-1$.

The expected inflation assumption of 6.58% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (5.06%) and those of fixed interest bonds (12.47%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+12.47\%-0.50\%)/(1+5.06\%))-1$.

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 5 277.38 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 7.58%, 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 (Mangaung Metro Municipality):

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.

Mangaung Metropolitan Municipality

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24. Employee benefit obligations (continued)

Consequently, a discount rate of 10.66% per annum has been used. The corresponding liability-weighted index-linked yield is 4.68%. 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 2023.

Discount rate (Centlec SOC (Ltd)):

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

In accordance with the above, the nominal and real zero curves as at 30 June 2023 supplied by the JSE was used to determine the discounted rates and CPI assumptions at each relevant time period.

General earnings inflation rate (Mangaung Metro Municipality):

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 5.24% was obtained from the differential between market yields on index-linked bonds (4.68%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.66%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+10.66\%-0.50\%)/(1+4.68\%)-1)$.

Thus, a general earnings inflation rate of 6.24% 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 4.16%.

Normal salary inflation/increase rate (Centlec SOC (Ltd)):

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2023 of 5.4%. The next salary increase was assumed to take place on 01 July 2024.

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 assumptions

The effect of one percentage point increase/ decrease in the rates of the main assumptions is as follows for the 2023 financial year:

	One percentage point increase	One percentage point decrease
Unfunded Accrued Liability (Pension fund inflation rate)	1,760,700	1,600,600
Aggregate of current service and interest costs (Pension fund inflation rate)	170,000	152,000
Unfunded Accrued Liability (Pension fund discount rate)	1,601,100	1,761,500
Aggregate of current service and interest costs (Pension fund discount rate)	167,000	153,000
Unfunded Accrued Liability (Health care cost inflation rate)	488,110,000	414,764,000
Aggregate of current service and interest costs (Health care cost inflation rate)	79,770,000	66,298,000
Unfunded Accrued Liability (Medical aid discount rate)	402,152,000	519,051,000
Aggregate of current service and interest costs (Medical aid discount rate)	68,033,000	80,639,000
Unfunded Accrued Liability (General earnings inflation rate)	109,558,000	100,081,000
Aggregate of current service and interest costs (General earnings inflation rate)	19,250,000	17,281,000
Unfunded Accrued Liability (Long service award discount rate) - Mangaung Metro Municipality	99,901,000	109,834,000
Aggregate of current service and interest costs (Long service award discount rate)- Mangaung MetroMunicipality	18,245,000	18,192,000
Unfunded Accrued Liability (Long service award discount rate) - Centlec SOC (Ltd)	29,226,000	26,169,000
Aggregate of current service and interest costs (Long service award discount rate)- Centlec SOC (Ltd)	6,536,000	5,805,000

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24. Employee benefit obligations (continued)					
Amounts for the current and previous four years are as follows:					
	2023	2022	2021	2020	2019
Defined benefit obligation	588,643,600	613,509,001	608,645,000	523,524,629	559,097,163

25. FRESHCO

FRESHCO (Free State Social Housing Company)	135,392,341	149,520,237
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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 33.

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.

26. Land availability

Hillside view	251,723,941	267,561,408
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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.

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26. Land availability (continued)

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.

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.

27. Revaluation reserve

Opening balance	5,002,836,443	5,000,534,658
Revaluation of assets	11,937,882	20,402,780
Realisation of revaluation reserve - through depreciation	(12,232,175)	(17,977,106)
Disposals	3,594,600	(123,023)
Other	867	(866)
	5,006,137,617	5,002,836,443

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 68.

28. Self-insurance reserve

Opening balance	10,000,000	10,000,000
Contributions received	968,845	1,110,570
Insurance claims processed	(968,845)	(1,110,570)
	10,000,000	10,000,000

29. COID reserve

Opening balance	19,139,985	20,890,377
Insurance claims processed	(1,756,281)	(1,750,392)
	17,383,704	19,139,985

30. Other NDR

Non-distributable reserve beginning of period	60,000,000	60,000,000
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In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement, it was agreed that R60,000,000 is to be held as a non-distributable reserve.

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31. Revenue		
Service charges	4,518,111,687	4,323,941,060
Rental of facilities and equipment	48,083,550	49,754,279
Agency services	6,227,547	5,942,316
Other income from exchange transactions	100,696,135	102,134,125
Interest received from exchange transactions	508,969,309	297,882,227
Dividends received	11,859	2,656
Property rates	1,508,845,345	1,387,795,158
Interest received from non-exchange transactions	124,636,207	73,192,006
Government grants & subsidies	2,118,427,432	2,080,812,087
Public contributions and donations	1,950,000	2,900,907
Fines, penalties and forfeits	40,944,618	15,894,605
Living resources	660,800	476,200
	8,977,564,489	8,340,727,626

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	4,518,111,687	4,323,941,060
Rental of facilities and equipment	48,083,550	49,754,279
Agency services	6,227,547	5,942,316
Other income from exchange transactions	100,696,135	102,134,125
Interest received from exchange transactions	508,969,309	297,882,227
Dividends received	11,859	2,656
	5,182,100,087	4,779,656,663

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	1,508,845,345	1,387,795,158
Interest received from non-exchange transactions	124,636,207	73,192,006
Living resources	660,800	476,200
Transfer revenue		
Government grants & subsidies	2,118,427,432	2,080,812,087
Public contributions and donations	1,950,000	2,900,907
Fines, penalties and forfeits	40,944,618	15,894,605
	3,795,464,402	3,561,070,963

32. Service charges

Sale of electricity - Prepaid	1,216,009,014	1,172,970,682
Sale of electricity - Conventional	1,512,305,448	1,539,654,397
Sale of water - Conventional meters	1,075,414,579	991,022,072
Sale of water - Prepaid meters	70,496,381	68,655,568
Sewerage and sanitation charges	473,541,088	400,574,062
Refuse removal	169,383,190	150,196,516
Other service charges	961,987	867,763
	4,518,111,687	4,323,941,060

33. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	32,728,952	34,526,885
Rental of equipment	1,226,127	1,098,501
Service concession rental*	14,128,471	14,128,893
	48,083,550	49,754,279

* The service concession rentals relate to the revenue recognised from the FRESHCO liability. Refer to note 25 for further information.

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

Mangaung Metropolitan Municipality

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34. Fines, penalties and forfeits		
Fines	18,307,900	7,823,984
Unclaimed deposits and stale cheques	22,636,718	8,070,621
	40,944,618	15,894,605
35. Interest from non-exchange transactions		
Consumer receivables from non-exchange transactions	124,636,207	73,192,006
36. Other income from exchange transactions		
Advertising	6,210,104	6,090,430
Building plan fees	5,444,695	6,173,420
Clearance certificates	3,618,844	4,155,975
Commission - Fresh produce market	29,212,348	26,028,822
Credit control fees	2,962,296	4,567,946
Entrance fees	97,965	91,846
Grave plots	3,378,977	4,888,023
Insurance collection	4,752,132	1,337,683
New connections	15,957,959	20,088,781
Parking	1,467,263	1,388,515
Sale of erven	402,052	1,027,203
Sale of tender documents	530,351	1,520,365
Service concession revenue*	15,837,467	15,837,467
Sundry income	7,570,680	8,144,752
Training	642,668	574,764
Transaction handling fees	248,056	218,133
Legal settlements	2,362,278	-
	100,696,135	102,134,125
* The service concession revenue relates to the revenue recognised from the land availability liability. Refer to note 26 for further information.		
Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.		
37. Investment revenue		
Dividend revenue		
Unlisted financial assets - Local	11,859	2,656
Interest received from exchange transactions		
Interest on Eskom deposit	27,923	19,822
Interest earned on bank investments	1,020,431	300,133
Interest charged on consumer and other receivables - exchange transactions	446,778,529	279,153,529
Interest charged on non-current receivables	-	454,546
Interest earned on cash and cash equivalents	61,142,426	17,954,197
	508,969,309	297,882,227
Total investment revenue	508,981,168	297,884,883
38. Agency services		
Southern Free State - Services	6,227,547	5,942,316

Agency services relates to administration, network-and vending charges rendered to the Southern Free State towns.

Mangaung Metropolitan Municipality

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39. Property rates		
Rates received		
Residential and business / commercial	1,184,446,613	1,063,741,448
Government	324,398,732	324,053,710
	1,508,845,345	1,387,795,158
Valuations		
Residential	86,610,948,310	69,766,782,823
Commercial	23,870,862,310	22,181,864,283
Government	13,620,775,450	11,567,223,365
Municipal	5,426,106,470	4,315,611,082
	129,528,692,540	107,831,481,553

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2022. 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 100,000 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, an additional R 200,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,500,000.

2023:

From 1 July 2022 the basic rates were adjusted as follows (exempt from VAT):

- R 0.0094740, multiply by comma two five cent (0.25), per rand on the rateable value of farm property;
- R 0.0094740, on the value of rateable residential property;
- R 0.0094740, multiply by comma five per cent (0.50), per rand on the rateable value of property under development;
- R 0.0322130, on the value of rateable government property;
- R 0.0322130, on the value of rateable business property;
- R 0.0023690, on the value of rateable public service infrastructure.

2022:

From 1 July 2021 the basic rates were adjusted as follows (exempt from VAT):

- R 0.0089380, multiply by comma two five cent (0.25), per rand on the rateable value of farm property;
- 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

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40. Government grants & subsidies

Operating grants

Department of Sports, Arts and Culture - Admin Libraries Grant	2,784,013	1,371,881
Equitable share	938,383,000	830,046,000
Expanded Public Works Programme Integrated Grant	1,382,148	1,301,864
Finance Management Grant	1,979,792	1,998,719
Fuel levy	363,435,000	332,282,000
Local Government Sector Education and Training Authority Grant	1,225,079	-
Programme and Project Preparation Support Grant	9,583,846	5,479,500
Urban Settlements Development Grant	9,300,000	-
	1,328,072,878	1,172,479,964

Capital grants

Human Settlements Provincial Grant	-	142,253,940
Informal Settlements Upgrading Partnership Grant	89,388,229	81,685,526
Neighbourhood Development Partnership Grant	19,738,000	26,523,211
Public Transport Network Grant	104,440,374	130,861,420
Urban Settlements Development Grant	576,787,951	527,008,026
	790,354,554	908,332,123
	2,118,427,432	2,080,812,087

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	816,609,432	918,484,087
Unconditional grants received	1,301,818,000	1,162,328,000
	2,118,427,432	2,080,812,087

Equitable share

Current year receipts	938,383,000	830,046,000
Transferred to revenue	(938,383,000)	(830,046,000)
	-	-

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	363,435,000	332,282,000
Conditions met - transferred to revenue	(363,435,000)	(332,282,000)
	-	-

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
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Conditions still to be met - remain liabilities (see note 20).

The grant is given by the City of Ghent for youth development.

Mangaung Metropolitan Municipality

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40. Government grants & subsidies (continued)

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	14,136	364,394
Surrendered to National Treasury	(14,136)	(364,394)
Current year receipts	1,566,000	1,316,000
Conditions met - transferred to revenue	(1,382,148)	(1,301,864)
	183,852	14,136

Conditions still to be met - remain liabilities (see note 20).

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	104,467	3,186
Surrendered to National Treasury	(104,467)	-
Current year receipts	2,100,000	2,100,000
Conditions met - transferred to revenue	(1,979,792)	(1,998,719)
	120,208	104,467

Conditions still to be met - remain liabilities (see note 20).

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	5,299,588	2,228,830
Current year receipts	5,888,160	3,070,758
Conditions met - transferred to revenue	(1,225,080)	-
	9,962,668	5,299,588

Conditions still to be met - remain liabilities (see note 20).

The grant is a learnership grant from LGSETA for interns seconded at different entities.

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 20).

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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40. 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 20).

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

Balance unspent at beginning of year	1,454,500	-
Surrendered to National Treasury	(1,454,500)	-
Current-year receipts	13,673,000	6,934,000
Conditions met - transferred to revenue	(9,583,846)	(5,479,500)
	4,089,154	1,454,500

Conditions still to be met - remain liabilities (see note 20).

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.

Department of Sports, Arts and Culture - Admin Libraries Grant

Balance unspent at beginning of year	5,320,906	4,692,787
Current-year receipts	3,500,000	2,000,000
Conditions met - transferred to revenue	(2,784,013)	(1,371,881)
	6,036,893	5,320,906

Conditions still to be met - remain liabilities (see note 20).

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
Conditions met - transferred to revenue	-	(1,133,554)
	-	-

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

Balance unspent at beginning of year	132,207,474	-
Surrendered to National Treasury	(132,207,474)	-
Current-year receipts	204,617,000	213,893,000
Conditions met - transferred to revenue	(89,388,228)	(81,685,526)
	115,228,772	132,207,474

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is for the upgrading of informal settlements.

Mangaung Metropolitan Municipality

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40. Government grants & subsidies (continued)

Integrated City Development Grant

Balance unspent at beginning of year	-	3,714,313
Surrendered to National Treasury	-	(3,714,313)
	-	-

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	4,214,789	1,142,169
Surrendered to National Treasury	(4,214,789)	(1,142,169)
Current-year receipts	19,738,000	30,738,000
Conditions met - transferred to revenue	(19,738,000)	(26,523,211)
	-	4,214,789

Conditions still to be met - remain liabilities (see note 20).

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	92,786,580	-
Surrendered to National Treasury	(92,786,580)	-
Current year receipts	249,894,000	223,648,000
Conditions met - transferred to revenue	(104,440,374)	(130,861,420)
	145,453,626	92,786,580

Conditions still to be met - remain liabilities (see note 20).

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
Transferred to other income	-	(1,595,782)
	-	-

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

Balance unspent at beginning of year	53,746,060	-
Current-year receipts	-	196,000,000
Conditions met - transferred to revenue	-	(142,253,940)
	53,746,060	53,746,060

Conditions still to be met - remain liabilities (see note 20).

This is a conditional grant with a specific purpose to provide for the upgrading of informal settlements.

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40. Government grants & subsidies (continued)		
Urban Settlements Development Grant		
Balance unspent at beginning of year	272,353,593	17,250,742
Surrendered to National Treasury	(146,453,593)	(13,158,123)
Current-year receipts	491,760,000	795,269,000
Conditions met - transferred to revenue	(586,087,951)	(527,008,026)
	31,572,049	272,353,593

Conditions still to be met - remain liabilities (see note 20).

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	19,783,000	9,006,000
Municipal Systems Improvement Grant	1,698,000	1,260,000
Neighbourhood Development Partnership Grant (Technical Assistance)	-	100,000
Regional Bulk Infrastructure Grant	-	129,615,000
	21,481,000	139,981,000

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.

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41. Public contributions and donations		
Capital donations	1,950,000	2,900,907
42. Employee related costs		
Basic salaries and wages	1,419,896,548	1,451,347,907
Contributions to Medical aid	129,268,535	125,451,450
Contributions to Pension funds	228,040,993	219,003,087
Contributions to UIF	8,575,723	8,739,557
Defined benefit plan - Current service costs	21,076,000	20,637,000
Housing benefits and allowances	7,380,993	7,203,642
Overtime, shift and standby allowances	242,847,220	233,731,926
Travel, motor car, accommodation, subsistence and other allowances	149,185,148	138,137,074
Leave pay	34,507,447	12,963,782
	2,240,778,607	2,217,215,425

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42. Employee related costs (continued)

Detailed remuneration of key management

2023	Annual Remuneration	Car and other allowances	Contribution to UIF, Medical Aid and Pension Funds	Leave Pay	Total
Acting City Manager (secondment) - Dumalisile NR	139,331	-	1,393	-	140,724
Acting HOD: Human Settlements & Housing (secondment) - Dumalisile NR	336,452	-	3,719	-	340,171
Acting HOD: Corporate Services (secondment) - Mpangane NG	833,323	-	10,104	-	843,427
Acting HOD: Engineering Services (secondment) - McLeod C	929,901	-	11,070	-	940,971
Acting HOD: Planning (secondment) - Mabunda NP	973,999	-	11,511	-	985,510
Acting HOD: Human Settlements & Housing (secondment) & Acting HOD: Economic & Rural Development (secondment) - Manyungwana XC	650,572	-	7,923	-	658,495
Acting HOD: Waste & Fleet Management (secondment) - Nel F	900,391	-	10,775	-	911,166
Acting HOD: Social Services & Public Safety - Mafisa MA	484,058	36,000	112,931	-	632,989
Acting City Manager (former) - Motlashuping TD	900,782	-	10,602	-	911,384
City Manager (former) - Adv Mea TB	4,702	-	94	-	4,796
HOD: Social Services (former) - Nkungwana MG	34,469	-	522	-	34,991
HOD: Economic & Rural Development (former) - Maine TA	34,292	-	520	-	34,812
HOD: Waste & Fleet Management (former) - More SJ	34,469	-	522	-	34,991
Chief Financial Officer (former) - Mofokeng SE	41,633	-	593	-	42,226
HOD: Human Settlements & Housing (former) - Adv Phaladi MJN	41,633	-	593	-	42,226
HOD: Engineering Services (former) - Ndlovu M	41,633	-	593	-	42,226
HOD: Planning (former) - Mthembu BS	41,633	-	593	-	42,226
HOD: Corporate Services (former) - Nkaiseng DSR	159,554	37,339	26,554	1,055,815	1,279,262
Head of Police (former) - Kgamanyane KI	695,912	232,810	166,895	273,160	1,368,777
	7,278,739	306,149	377,507	1,328,975	9,291,370

Changes to key management during the current financial year:

- Dumalisile NR was appointed as Acting HOD: Human Settlements & Housing from 2 May 2022 to 30 April 2023 and as Acting City Manager from 1 May 2023
- Mpangane NG was appointed as Acting HOD: Corporate Services from 20 April 2022;
- McLeod C was appointed as Acting HOD: Engineering Services from 2 May 2022;
- Mabunda NP was appointed as Acting HOD: Planning from 7 June 2023 to 30 April 2023 and as Acting HOD: Human Settlements & Housing from 1 May 2023;
- Manyungwana XC was appointed as Acting HOD: Economic & Rural Development from 16 May 2022;
- Nel F was appointed as Acting HOD: Waste & Fleet Management from 1 June 2022;
- Mafisa MA was appointed as Acting HOD: Social Services & Public Safety from 13 February 2023;
- Motlashuping TD was appointed as Acting City Manager from 20 April 2022 to 30 April 2023;
- The fixed term contracts for Nkaiseng DSR expired on 14 July 2022. Included in the amount received for leave pay and other awards is an arbitration award granted in favour of Mr Nkaiseng to the amount of R1 055 815; and
- The fixed term contract of Kgamanyane KI expired on 31 December 2022.

Other changes during the 2022/23 financial year:

- The former HOD's received backpay payments as a result of the implementation of the new upper limits of the total remuneration packages approved by council on 13 February 2023 for the 2021/22 financial year.

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42. Employee related costs (continued)					
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 - Kgamanyane 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 prior 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.

43. Remuneration of councillors

Cell phone allowance	4,472,306	4,514,000
Councillors allowance	50,017,618	48,615,914
Councillors medical aid contributions	449,205	464,267
Councillors pension contributions	744,859	855,057
Housing allowance	43,497	59,059
Travel allowance	13,706,056	13,386,645
	69,433,541	67,894,942

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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43. 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
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

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43. Remuneration of councillors (continued)

2023	Councillor Surname and Initials	Councillor allowance	Contributions to Pension and Medical aid	Travel, cellphone and other allowances	Total	
	Acting Executive Mayor	Nthatsi GMS	201,117	-	47,348	248,465
	Acting Chief Whip	Nikelo VE	310,955	-	95,602	406,557
	Speaker	Davies M	230,301	4,320	72,832	307,453
	MMC: Community & Social Services (July 2022 - February 2023)	Tladi MM	734,497	14,400	236,082	984,979
	MMC: Human Settlements (from May 2023) & MMC: Corporate Services (July 2022 - February 2023)	Mosala MT	724,781	14,400	236,082	975,263
	MMC: Social Services (from May 2023) & MMC: Infrastructure & Engineering	Soqaga VS	137,248	2,880	46,492	186,620
	MMC: Waste & Fleet Management	Letawana MM	152,382	-	51,332	203,714
	MMC: Corporate Services	Kruger CL	140,128	-	46,492	186,620
	MMC: Finance	Titi-Odili LM	733,761	14,400	236,082	984,243
	MMC: Infrastructure & Public Works (July 2022 - February 2023) & MMC: IDP & Performance Management (from May 2023)	Morake MA	736,641	14,400	236,082	987,123
	MMC: Economic Development & Spatial Planning	Jonas-Malephane VE	734,773	14,400	236,052	985,225
	MMC: Rural Development	Twala PS	742,382	1,440	236,082	979,904
	MMC: Public Safety	Tsoleli SP	152,382	-	51,332	203,714
	S79 Chairperson: Petitions & Motions Committee	Qai A	789,154	66,387	284,285	1,139,826
	S79 Chairperson: Municipal Public Accounts Committee	Mokoakoa MI	742,216	-	244,143	986,359
	S79 Chairperson: Public Places & Street Naming Committee	Seleke PL	747,196	14,400	227,468	989,064
	S79 Chairperson: Remunerations Committee	Nhlapo NA	813,820	41,604	284,285	1,139,709
	S79 Chairperson: Rules Committee	Mokgothu TKW	843,909	1,440	284,285	1,129,634
	Executive Mayor (former)	Siyonzana MA	772,094	11,520	230,055	1,013,669
	Deputy Executive Mayor (former)	Mothibi-Nkoane MM	813,756	-	234,657	1,048,413
	Deputy Executive Mayor (former)	Masoetsa LA	6,877	-	-	6,877
	Speaker (former)	Lockman SB	689,215	-	204,974	894,189
	Chief Whip (former)	Mangcotywa ZE	6,468	-	-	6,468
	MMC: Community & Social Services (former)	Mahase MM	6,468	-	-	6,468
	MMC: Environmental Management (former)	Pongolo XD	6,468	-	-	6,468
	MMC: Human Settlements (former)	Van der Ross KE	603,584	1,440	189,590	794,614
	MMC: Human Settlements (former)	Thipenyane G	6,468	-	-	6,468
	MMC: Rural Development (former)	Nothnagel J	6,468	-	-	6,468
	MMC: Spatial Planning & Land Use Management (former)	Nkhabu M	6,468	-	-	6,468
	MMC: Transport & Public Safety (former)	Mogotloane TJ	598,255	11,520	189,590	799,365
	MMC: Waste & Fleet Management (former)	Matsoetlane MJ	616,788	-	189,590	806,378
	S79 Chairperson: Petitions & Motions Committee (former)	Nkoe J	5,799	-	-	5,799
	S79 Chairperson: Remunerations Committee (former)	Shounyana MM	5,799	-	-	5,799
	Part-time councillors		36,199,000	965,113	13,831,045	50,995,158
			50,017,618	1,194,064	18,221,859	69,433,541

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.

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022
44. Depreciation and amortisation		
Intangible assets	9,009,466	12,416,504
Living resources	278,294	204,150
Property, plant and equipment	835,296,735	894,866,054
	844,584,495	907,486,708

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

45. Impairment loss

Impairments		
Property, plant and equipment	54,891,459	25,566,987
Inventories	3,384,578	(345,620)
	58,276,037	25,221,367

Property, plant and equipment

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.

Inventories

An assessment of the net realisable value against cost was performed and inventory was written down.

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

- Damaged fleet still to be sold at auction; and
- Vandalism.

46. Finance costs

Borrowings	60,377,733	74,805,005
Employee benefit obligation	69,300,000	58,849,000
Finance lease obligation	839,300	2,190,539
Trade and other payables	116,367,761	37,803,261
Unwinding of provisions	73,142,385	72,036,168
	320,027,179	245,683,973

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

47. Auditors' remuneration

Fees	30,440,629	26,094,462
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48. Debt impairment and bad debt write off

Debt impairment - Consumer receivables	1,286,728,804	1,732,018,443
Debt impairment - Other receivables from exchange transactions	(19,351,079)	-
Debt impairment - Traffic fine receivables	773,530	(11,444,926)
Bad debts written off	278,188,721	134,017,337
Traffic fines derecognised	8,361,094	14,641,695
	1,554,701,070	1,869,232,549

During the financial year, the write off amounting to R255,173,999 (2022: R122,452,573) related to the write off of indigent consumers' debt as at the date of registration on the indigent register. The amounts exclude VAT.

Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.

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Figures in Rand	2023	2022
49. General expenses		
Animal costs	329,465	191,523
Auditors' remuneration	30,440,629	26,094,462
Bank charges and commissions	18,316,651	18,025,806
Bursaries to employees	1,758,264	2,242,760
Chemicals	11,473,314	11,443,618
Consumables	7,725,545	5,365,685
Electricity	883,487	1,473,333
Fuel and oil	37,463,422	30,644,526
Indigent relief - Free electricity	5,250,302	4,070,105
Insurance	34,160,446	31,459,837
Learnerships and internships	-	1,519,900
Marketing and advertising	2,594,444	3,485,961
Motor vehicle expenses	4,919,155	10,055,124
Operating lease expenditure	52,574,587	40,812,157
Postage and courier	45,414	4,493,982
Printing and stationery	5,133,053	3,835,415
Protective clothing	7,478,259	15,469,853
Remuneration of ward committees	9,955,965	2,442,489
Repairs and maintenance	98,954,525	89,649,442
Royalties and license fees	28,674,481	21,739,767
Skills development levy	19,156,542	19,345,971
Subscriptions and membership fees	17,592,257	16,698,487
Sundry expenses	736,287	2,375,711
Telephone and fax	10,717,074	13,080,583
Title deed search fees	3,550,308	133,822
Transport and freight	213,965	135,587
Travel - local	1,797,152	1,588,465
Water research	5,767,482	5,123,055
Workmen's compensation	5,941,262	5,399,209
Penalties	388,453	-
	423,992,190	388,396,635

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022
50. Bulk purchases		
Electricity purchases	2,140,676,408	2,061,862,827
Water purchases	814,638,653	835,326,533
	2,955,315,061	2,897,189,360
Electricity losses		
Rand value of loss		
Units loss (kWh)	142,852,292	167,915,025
Rand value per unit (kWh)	1.50	1.44
Total	213,876,959	241,915,025
Percentage Loss:		
Technical losses	6.54 %	7.31 %
Non-technical losses	3.27 %	3.65 %
Total	9.81 %	10.96 %
Water losses		
Units purchased (KL)	81,522,241	80,807,354
Units sold (KL)	(41,678,583)	(44,137,655)
Total loss (KL)	39,843,658	36,669,699
Rand value of loss		
Units loss (KL)	39,844,326	36,669,699
Rand value per unit (KL)	11.40	11.09
Total rand value for loss	454,225,316	406,666,962
Percentage Loss:		
Technical losses	49.00 %	45.00 %

Reasons for material losses:

Material bulk water losses are not recoverable. The main reason for incurring water losses relate to burst water pipes, leaks and illegal water connections.

Electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold. Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity have certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution.

Prior period error:

Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.

Mangaung Metropolitan Municipality

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Figures in Rand	2023	2022
51. Contracted services		
Outsourced Services		
Burial services	1,153,035	1,251,850
Internal Auditors	-	1,682,563
Meter management services	6,836,180	7,946,403
Refuse removal services	37,610,029	21,564,314
Sewerage services	15,427,508	13,596,055
Consultants and Professional Services		
Business and advisory services	80,157,159	93,471,851
Infrastructure and planning services	-	10,541,619
Legal costs	29,261,740	64,342,203
Contractors		
Catering services	451,461	257,801
Electrical services	923,573	1,324,971
Gardening services	1,226,732	454,741
Other contracted services	1,711,842	3,414,652
Prepaid electricity vendors	56,919,571	54,103,632
Repairs and maintenance	218,841,407	344,437,876
Safeguard and security services	118,317,602	94,788,844
	568,837,839	713,179,375

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

52. Fair value adjustments

Investment property (Fair value model)	1,813,000	15,032,645
Non-current receivables (Designated as at fair value through surplus or deficit)	19,511	12,209
Heritage assets (Fair value model)	-	(24,179,295)
	1,832,511	(9,134,441)

Prior year figures were restated due to errors identified in the current financial year, refer to note 68.

53. Loss on disposal of assets and liabilities

Losses arising from the disposal of property, plant and equipment	53,838,941	19,769,903
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Prior year figures were restated due to errors identified in the current financial year, refer to the prior period error note 68.

54. Loss on revaluation of assets

Losses arising from the revaluation of property, plant and equipment	-	113,406,569
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Prior period figures were restated due to reclassification done and errors identified in the current year, refer to note 68.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2023

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022
55. Cash generated from operations		
Deficit	77,759,465	(1,010,603,635)
Adjustments for:		
Depreciation and amortisation	844,584,495	907,486,708
Loss on disposal of assets and liabilities	53,838,941	19,769,903
Loss on revaluation of assets	-	113,406,569
Fair value adjustments	(1,832,511)	9,134,441
Finance costs	61,217,033	76,995,544
Impairment loss	58,276,037	25,221,367
Movements in retirement benefit liabilities	(24,865,401)	4,864,001
Living resources	(660,800)	(476,200)
Unwinding of provisions	73,142,385	72,036,168
Unwinding of FRESCHO	(14,127,896)	(14,127,896)
Unwinding of Land Availability	(15,837,467)	(15,837,467)
Deferred tax	(96,816,589)	(79,726,995)
Public contributions and donations	(1,950,000)	(2,900,907)
Interest received	-	(454,546)
Changes in working capital:		
Inventories	(14,449,066)	(51,233,042)
Other receivables from exchange transactions	(82,272,104)	(28,020,328)
Consumer receivables from exchange transactions	82,840,378	288,501,313
Consumer receivables from non-exchange transactions	(80,019,355)	427,585,081
Other receivables from non-exchange transactions	(350,426)	2,228,227
Payables from exchange transactions	(94,442,184)	127,593,555
VAT	(5,260,748)	(35,989,514)
Payables from non-exchange transactions	(63,867,210)	19,068,033
Unspent conditional grants and receipts	(201,108,811)	535,376,336
Consumer deposits	30,690,418	3,819,684
	584,488,584	1,393,716,400

Mangaung Metropolitan Municipality

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56. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	Total
Consumer receivables from exchange transactions	-	1,301,274,869	1,301,274,869
Other receivables from exchange transactions	-	292,095,459	292,095,459
Cash and cash equivalents	-	711,017,867	711,017,867
Non-current receivables	143,770	311,764	455,534
	143,770	2,304,699,959	2,304,843,729

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2,387,846,171	2,387,846,171
Finance lease obligation	1,511,179	1,511,179
Borrowings	727,705,849	727,705,849
	3,117,063,199	3,117,063,199

2022

Financial assets

	At fair value	At amortised cost	Total
Consumer receivables from exchange transactions	-	1,384,115,247	1,384,115,247
Other receivables from exchange transactions	-	209,823,355	209,823,355
Cash and cash equivalents	-	731,147,875	731,147,875
Non-current receivables	124,259	602,167	726,426
	124,259	2,325,688,644	2,325,812,903

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2,436,800,222	2,436,800,222
Finance lease obligation	15,596,040	15,596,040
Borrowings	668,894,832	668,894,832
	3,121,291,094	3,121,291,094

Comparative figures were restated due to prior period errors affecting other financial line items. Refer to note 68 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.

Mangaung Metropolitan Municipality

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Figures in Rand	2023	2022
57. Commitments		
Commitments in respect of capital expenditure		
Already contracted for but not provided for		
• Infrastructure assets	154,070,480	258,225,549
Commitments in respect of operational expenditure		
Already contracted for but not provided for		
• Contracted services	304,664	304,664
The capital expenditure will be financed from		
Unspent conditional grants	141,416,785	248,788,169
Own funding	12,653,695	9,437,380
	154,070,480	258,225,549

This committed expenditure relates to infrastructure and operational expenditure and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

All commitments include VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1,010,770	918,882
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A building situated in Botshabelo is leased from the Free State Development Corporation (FDC) for an indefinite period which can be terminated by way of a 3-month cancellation clause. Management agreed to rent from FDC for the next financial year at the end of which management will re-assess the likelihood of extending the lease further. The lease rental is escalated annually on 1 December by 10%.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	8,024,265	6,382,239
- in second to fifth year inclusive	18,689,244	17,006,180
- later than five years	15,115,555	17,013,667
	41,829,064	40,402,086

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 R32,797,175 (2022: R34,526,885) 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.

Mangaung Metropolitan Municipality

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58. Contingencies

Contingent liabilities

Guarantees

Housing guarantees	471,969	494,069
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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

Labour cases and employee related matters	800,000	6,589,952
Claims by individuals due to property damages in various incidents	4,848,790	14,074,352
Claims by individuals due to various incidents	127,516,624	63,220,337
	133,165,414	83,884,641

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	9,800,493	8,842,597
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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 R9,800,493 (2022: R8,842,597) during the 2023 evaluations, to ensure that the Petra quarry will be rehabilitated. Petra Quarry has a financial guarantee in place that covers rehabilitation. This was renewed on 04 November 2021

Mangaung Metropolitan Municipality

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59. Related parties

Relationships

Accounting Officers

Refer to accounting officers' report

Controlled entities

Centlec (SOC) Limited

Members of key management

Refer to note 42

Members of the mayoral committee

Refer to note 43

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 Mofokeng M – Office of the Premier.
2. Sesing M – Provincial Accountant General & CA(SA).
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 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. Maseko E - Interim National Cabinet Representative (resigned).
2. Motlashuping T (National CoGTA) - Acting City Manager (term ended on 30 April 2022).
3. Dumalisile NR (Department of Human Settlements) - Acting City Manager (from 25 April 2023).
4. Sediti T (National Treasury) - Acting Chief Financial Officer (term ended on 18 December 2022).
5. Denge L (National Treasury) - Acting Chief Financial Officer (from 19 December 2022).
6. Adv Mpangane N (National CoGTA) - Acting HOD Corporate Services.
7. McLeod WR (MISA) - Acting HOD Engineering Services.
8. Manyungwana XC (Department of Transport) - Acting HOD Economic and Rural Development.
9. Nel F (Department of Forestry, Fisheries and the Environment) - Waste and Fleet Management.
10. Mabunda N (MISA) - Acting HOD Human Settlements and Housing (from 25 April 2023).

The National intervention team were as follows:

1. Malaza G - National Cabinet Representative
2. Kunene V - Finance Specialist
3. Cibane T - Governance Specialist
4. Nkosi M - 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.

Mangaung Metropolitan Municipality

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59. Related parties (continued)

Remuneration of management

Councillors / Mayoral committee members:

Refer to note 43 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 42 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.

Compensation to accounting officers and other key management

Annual remuneration	8,227,796	9,303,916
Travel, motor car, accommodation, subsistence and other allowances	1,199,044	1,204,565
Contributions to UIF, medical and pension funds	105,431	117,191
Acting allowance	213,583	120,037
	9,745,854	10,745,709

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60. 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.

The board of directors and the NCR have overall responsibility for the establishment and oversight of the municipal entity's risk management framework. The municipal entity's audit committee oversees the monitoring of compliance with the municipal entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipal entity. The audit committee is assisted in its oversight role by the municipal entity's internal audit function.

The municipal entity's exposure to risk is similar to that of the previous year. The municipal entity still faces the same risks as in the previous financial year.

The municipal entity monitors and manages the financial risks relating to operations through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- liquidity risk;
- credit risk; and
- market risk (including interest rate risk).

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60. Risk management (continued)

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.

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 municipal entity has started replacing rotational meters with prepaid meters to improve the cash funds available.

The municipal entity has not defaulted on payables and lease commitment payments.

All of the municipal entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipal entity.

The entity is exposed to a number of guarantees for housing loans to employees. Refer to note 58 for additional details.

Liquidity risk is the risk that the municipal entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipal entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 30 June 2023	Less than 1 year	Between 1 and 5 years	Over 5 years
Other financial liabilities	162,818,218	564,887,631	-
Finance lease obligations	1,511,179	-	-
Payables from exchange transaction	2,387,846,171	-	-
Payables from non-exchange transactions	291,824,955	-	-
	2,844,000,523	564,887,631	-
At 30 June 2022	Less than 1 year	Between 1 and 5 years	Over 5 years
Other financial liabilities	198,773,506	470,121,326	-
Finance lease obligations	14,084,861	1,511,179	-
Payables from exchange transaction	2,436,800,222	-	-
Payables from non-exchange transactions	355,692,165	-	-
	3,005,350,754	471,632,505	-

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60. 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.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Consumer receivables from exchange transactions	1,301,274,869	1,384,115,247
Other receivables from exchange transactions	292,095,459	209,823,355
Cash and cash equivalents	711,017,867	731,147,875
Non-current receivables - at fair value	143,770	124,259
Non-current receivables - at amortised cost	311,764	602,167

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.

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60. Risk management (continued)

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
- Interest charged on consumer receivables from exchange transactions overdue
- Other financial liabilities

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows:

- Interest charged on consumer receivables from exchange transactions overdue.

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 2023 and 2022, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

The municipal entity's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the entity.

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

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

Market risk consists of the following risks:

- Foreign currency risk

The municipal entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

Fair values

The municipal entity's financial instruments consist mainly of cash and cash equivalents, investments, trade receivables, trade payables and long term debt.

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60. Risk management (continued)

No financial asset was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received are capitalised.

Receivables from exchange transactions

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing loans

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

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.

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipal entity's financial instruments are affected by the whole sale price of electricity from ESKOM. 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.

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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61. Going concern

The consolidated 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.

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 12,065,518,986 (2022: R 11,973,771,064) and that the municipality's total assets exceed its total liabilities by R17,213,675,342 (2022: R 17,065,747,492).

The municipality had a operating surplus/(deficit) of R (105,493) (2022: R (965,551,341)) for the year. The current liabilities exceed the current assets by R188,676,874 and in the prior year the current liabilities exceeded the current assets by R584,228,616.

However, the following 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 municipality's ability to continue as a going concern:

As disclosed in note 16, the municipality is taking an average period of 221 days (2022: 222 days) to pay their creditors. The average number of days required for the municipality to receive payment from its consumers for bills/invoices issued to them for goods and/or services is 72 days (2022: 79 days). In addition to this, the municipality is expecting that 83% (2022: 80%) of their receivables will be uncollectable.

Due to the municipality's current liabilities exceed its current assets, the municipality will not be able to settle all its current and short-term obligations with cash and investments (i.e. liquid assets) as they fall due at any specific point. Additionally, 79% (2022: 89%) of generated revenue is used to re-pay municipal liabilities rather than spending on service delivery initiatives. This is further confirmed by the fact that only 1.3% (2022: 2.0%) of municipal expenditure was channelled to repairs and maintenance of critical service delivery infrastructure and the current overall spending on critical service delivery infrastructure amounts to 8.2% (2022: 11.8%) of total expenditure, leading growing service delivery backlogs. The costs incurred by the municipality in relation to refurbishment, rehabilitation and reconstruction of service delivery assets to ensure the sustainability of service delivery amounts to 15.8% (2022: 14.9%) of total capital expenditure. The municipality is not investing enough in service delivery infrastructure to improve the condition of existing infrastructure, which will ensure the continued delivery of services.

As at 30 June 2023, 33% (2022: 42%) of municipal current liabilities will have to be funded by next year's budget. This highlights possible future cash flow problems/shortfall that may lead to possible financial viability difficulties in future and a failure by the municipality to fund its current and future operations, without hampering or compromising strategic goals and basic service deliverables.

The outstanding amount owed for bulk water supplies is R821,395,331 (2022: R690,166,388) which was long overdue and the municipality incurred material water losses, refer to note 51 for further detail.

The outstanding amount owed to Eskom is R737 644 103 (2022: R428 996 909) as at 30 June 2023, which was long overdue. The municipal entity applied and was approved for ESKOM debt relief in terms of national Treasury circular 124 to the value of R386 820 875. This will greatly assist in reducing the ESKOM liability of the municipal entity in the future.

The municipality experienced a negative cash movement during the current year, refer to the Cash Flow Statement, while experiencing labour difficulties and vacancies in 100 % of its key positions (2022: 91% vacancy rate). This places strain on the municipality's ability to effectively govern its financial viability, while negatively impacting governance and accountability. The municipality has continuously overspent its allocated budget.

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61. Going concern (continued)

The municipality has received a credit rating of Caa1 – stable from Moody's Rating Agency. This rating reflects the city's weak operating performance and fragile liquidity as well as a low likelihood that the Government of South Africa (Ba2 stable) would provide support if the city were to face acute liquidity stress. The credit profile is further supported by the municipality's low debt levels compared to those of other rated Metropolitan Municipality's in the country and its medium-sized economic base.

The above factors, together with other financial constraints resulted in the municipality being placed under administration as per section 139(5)(a) & (c) of the Constitution, during the prior year. Subsequently, 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.

The following areas and key activities will be focussed on within the next 6-12 months after year end to improve on the financial situation of the municipality:

Funded Budget Status: Capital Budget – Ring-fencing and monitoring of unspent conditional grants. Monthly progress reports detailing the implementation of both the procurement plan and project implementation plans to be provided for monitoring purposes.

Revenue management – The municipality is planning to implement revenue enhancement initiatives including robust billing, collection, and credit control procedures that must be adhered to. Furthermore, aggressive debt collection mechanisms will be implemented by taking legal action. Payment agreements will be entered into with all revenue owing government departments where the municipality will be seeking Provincial Treasury intervention if necessary. The municipality will also engage with debtors to agree on payment arrangements.

Indigent Management - Updating and cleansing of data on the system to provide correct details of customers. A review of the data captured on the system will be done by senior personnel to ensure accuracy and completeness with correction of accounts done on a monthly basis.

Supply Chain Management Compliance and Value for Money Procurement – The municipality will embark on a process to interrogate all UIF&W expenditure with reasons therefore and which will be submitted to Council for their decision on what action should be taken based on management's recommendations. Appropriate legal action to be instituted and consequence management taken based on the outcomes of the investigations.

Cost Containment and Realistic Cash Flow Management – The municipality will implement a system of expenditure control where no expenditure/ order is authorised unless it is provided for in the cash flow management system.

Revenue Raising Measures - To increase revenue, an audit will be conducted on all Municipal owned billboards and facilities that can generate revenue, implement by-laws and charge penalties where there is transgression and implement billing at the landfill sites once the weighbridges are operational.

Creditor Management – The Service Level Agreement with Bloem Water will be reviewed and the bulk supply tariffs will be renegotiated as well as renegotiating parts of amounts owed such as penalties relating to Eskom.

Financial Control Environment – Conduct a review on the audit action plan immediately after the issue of the audit report, provide practical action plan and track progress thereof.

Debt Restructuring – ESKOM: Apply for MFMA Circular No. 124 – Municipal Debt Relief through National Treasury.

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62. Unauthorised expenditure		
Opening balance	5,639,510,990	4,191,015,979
Add: Unauthorised expenditure	1,351,333,077	1,448,495,011
Closing balance	6,990,844,067	5,639,510,990
Unauthorised expenditure per department		
Unauthorised expenditure - OPEX		
Corporate Services	92,714,005	127,891,731
Miscellaneous services	250,554,589	-
Engineering Services	416,769,635	388,436,939
Finance	47,048,377	13,443,234
Human Settlement and Housing	76,606,576	15,188,444
Naledi infrastructure	1,372,706	-
Social Services	-	16,112,888
Strategic Services & Service Delivery	-	852,651
Waste and Fleet Management	101,193,983	77,627,263
Public Safety	105,897,453	20,666,553
Water Services	103,057,347	560,315,820
Centlec (SOC) Limited	156,118,406	194,513,696
Unauthorised expenditure - CAPEX		
Finance	-	68,920
Waste and Fleet Management	-	33,376,872
	1,351,333,077	1,448,495,011
Disciplinary steps taken/criminal proceedings		
No investigations were performed or disciplinary steps taken during the year.		
63. Fruitless and wasteful expenditure		
Opening balance	240,258,728	146,651,685
Add: Fruitless and wasteful - current year	189,948,462	93,607,043
Closing balance	430,207,190	240,258,728
Disciplinary steps taken/criminal proceedings		
No investigations were performed or disciplinary steps taken during the year.		

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63. Fruitless and wasteful expenditure (continued)

Incidents identified - 2023	Amount
Interest paid to The Auditor General due to late payments	369,808
Interest paid to Eskom SOC Ltd due to late payments	242,002
Interest paid to the Provincial Department of Police, Roads and Transport due to late payment	422,818
Interest paid to Modderivier Kalkveld WGV due to late payments	24,240
Interest paid to Telkom SA Ltd due to late payments	28,235
Administrative fine from DESTEA	300,000
Interest due to various court orders	1,251,830
Interest paid to Bloemwater due to late payments	65,310,812
Interest paid to Terin Sign Attorneys	23,445
Interest paid to ABSA due to late payment	682,671
Overpayment of Rampai Attorneys	1,762,232
Interest paid to Phill Mchardy	1,352
Interest paid to Mosupatsela	3,900
SARS penalty	7,046
Fruitless and wasteful expenditure identified by performance audit team	46,910,316
Overpayment to suppliers and no steps were taken by Mangaung to recover the money	19,351,080
Payment of standing time that could have been avoided if management acted timeously on requests of the project management team	3,603,623
Fruitless and wasteful expenditure identified by ISA audit team	392,438
Interest incurred on late payment of Eskom SOC Ltd, Telkom SA Ltd and Department of Labour accounts	49,260,614
	189,948,462
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
Expenditure incurred relating to the Mangaung Metro Police Department	4,543,030
Interest due to various court orders	1,609,439
Overpayment of councillors allowances	24,228
Overpayment of suppliers	2,029,155
Interest paid to Bloemwater due to late payments	23,731,624
Performance audit	51,415,178
Interest incurred on late payment of Eskom SOC Ltd, Telkom SA Ltd and Department of Labour accounts	9,675,187
	93,607,043

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64. Irregular expenditure		
Opening balance	3,269,577,268	3,083,042,212
Add: Irregular Expenditure - current year	198,379,160	186,535,056
Closing balance	3,467,956,428	3,269,577,268

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	Disciplinary steps taken/criminal proceedings		
Non-compliance with SCM processes	None	196,603,579	151,526,519
Non-compliance with SCM processes - Prior year expenditure identified in the current year	None	53,148	22,228,405
Contracts declared as irregular expenditure in the prior year	None	-	11,648,819
Overpayment of Councillors	None	1,493,896	24,228
Expenditure in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	Expenditure incurred was more than the contractual amount agreed upon. Contravention of the MFMA requirements. The incident is currently being considered for investigation. The expenditure has been submitted to council for consideration to be written off.	-	816,117
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	Preferential Procurement Regulations of 2011 was not fully complied with due to irregular quotation rankings. The incident is currently being considered for investigation. The expenditure has been submitted to council for consideration to be written off.	-	290,968
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	Section 36 1(a) of the Supply Chain Management Regulations was not fully complied with due to irregular deviations. The incident is currently being considered for investigation. The expenditure will be submitted to council for consideration to be written off.	104,580	-
Procurement in contravention with Supply Chain Management policy, Municipal Financial Management Act and Municipal Systems Act.	Regulation 4(1) of the Preferential Procurement Regulations of 2022 was not fully complied with due to irregular relating application of the 80/20 points system for three quotes. The incident is currently being considered for investigation. The expenditure will be submitted to council for consideration to be written off.	91,784	-
Irregular payment of employee related costs	Some employees were paid more than their contractual remuneration. The employees were informed and a repayment agreement was entered into.	32,173	-
		198,379,160	186,535,056

Analysis of expenditure to be considered for write off by council per age classification

Current year	156,346,943	195,620,781
Prior years	914,795,080	719,174,299
	1,071,142,023	914,795,080

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65. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription	17,231,606	16,333,276
Amount paid - current year	(17,231,606)	(16,333,276)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Audit fees

Opening balance	2,054,181	6,548,451
Amount paid - previous years	(2,054,181)	(6,548,451)
Current year audit fee	30,749,708	26,129,319
Amount paid - current year	(29,911,851)	(24,075,138)
	837,857	2,054,181

Amount excluding VAT.

PAYE, UIF and SDL

Opening balance	36,416,991	29,258,312
Amount paid - previous years	(36,469,231)	(29,339,332)
Current year declarations	416,519,657	431,098,483
Amount paid - current year	(393,692,938)	(394,600,472)
	22,774,479	36,416,991

Pension and Medical Aid Deductions

Opening balance	35,685,893	35,963,288
Amount paid - previous years	(35,685,893)	(35,963,288)
Current year payroll deductions and council contributions	553,166,223	537,274,090
Amount paid - current year	(516,035,089)	(501,588,197)
	37,131,134	35,685,893

VAT

VAT receivable	206,486,354	172,882,715
VAT payable	(247,523,390)	(219,180,497)
	(41,037,036)	(46,297,782)

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.

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65. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Expanded Public Works Programme Incentive Grant	14,136	364,394
Finance Management Grant	104,467	-
Informal Settlements Upgrading Partnership Grant	132,207,474	-
Integrated City Development Grant	-	3,714,313
Neighbourhood Development Grant	4,214,789	1,142,169
Programme and Project Preparation Support Grant	1,454,500	-
Public Transport Infrastructure and Network Systems Grant	92,786,580	-
Urban Settlement Development Grant	146,453,593	13,158,123
	377,235,539	18,378,999

66. 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 consolidated 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.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Class of deviation - 2023	Number of deviations	Amount
Burial services	318	1,205,865
Exceptional case	17	313,588
General repairs and maintenance of agent products	19	1,222,065
Newspaper advertisements	5	176,998
Sole supplier	43	8,553,932
Strip and quote	3	296,146
Impractical	15	9,794,719
Legislative books and documents	1	117,829
Medical products and services	1	64,574
Pre-determined conferences, delegations and training	2	46,818
Ratification of minor breaches of the procurement process	11	13,615,969
Scheduled medical examinations	1	4,666
Unforeseeable transport services	5	304,550
Urgent	6	1,259,413
Other	14	499,849
	461	37,476,981

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66. Deviation from supply chain management regulations (continued)

Class of deviation - 2022	Number of deviations	Amount
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	28	13,523,755
Strip and quote	12	756,254
Urgent	2	314,897
Other	8	314,016
	537	26,244,534

In terms of Section 45 of the Municipal Supply Chain Management Regulations the municipal entity must disclose particulars of any award more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months.

For the period under review there were instances where the municipal entity made awards more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state as set out below:

Incident

NB Mechanicals The spouse of one of the directors, Shaun Barnes, is employed as an assistant librarian at the Department of Sports, Arts and Culture.	10,146,992
Ice-cloud SA/Mosima SA The spouse of one of the directors, Victor Motatung, is employed as a medical officer at the department of health.	40,465,168
Bluestone Developers SA The spouse of one of the directors, Amanda Collison, is employed in the revenue department at Gentlec (SOC) Ltd.	18,356
Platinum Suppliers One of the directors, Jaqualine Joyce van der Heyde-Adams, is employed as a principal by the Western Cape Department of Education.	199,090
	50,829,606

67. 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
Community - Landfill sites and quarries	10,648,094	(3,539,718)	7,108,376
Community - Other	10,793,640	(3,506,362)	7,287,278
Fleet	5,237,798	(2,794,212)	2,443,586
Infrastructure - Roads and roads related	78,923,859	(25,825,646)	53,098,213
Infrastructure - Sanitation network	7,866,901	2,964,313	10,831,214
Infrastructure - Water network	8,502,515	(2,641,121)	5,861,394
Intangible assets	150,813	(34,592)	116,221
Other property, plant and equipment	7,467,552	(2,394,752)	5,072,800
Infrastructure - Electricity	27,950,279	(3,425,970)	24,524,309
	157,541,451	(41,198,060)	116,343,391

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68. Prior period errors

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:

Statement of Financial Position	As previously reported 2022	Correction of errors 2022	Correction of errors 2021	Restated 2022
Current Assets				
Inventories	673,784,848	(10,963)	970,000	674,743,885
Other receivables from non-exchange transactions	764,212	(2,042,171)	2,044,234	766,275
Consumer receivables from exchange transactions	1,380,600,289	(8,049,806)	11,564,764	1,384,115,247
Other receivables from exchange transactions	223,316,415	(6,610,407)	(6,882,652)	209,823,356
Cash and cash equivalents	740,533,470	(9,242,546)	-	731,290,924
Non-Current Assets				
Property, plant and equipment	17,899,667,495	(44,037,600)	(57,311,966)	17,798,317,929
Intangible assets	134,747,651	(29,000)	-	134,718,651
Heritage assets	244,666,687	852,640	7,448,584	252,967,911
Living resources	3,675,801	30,402	-	3,706,203
Current Liabilities				
Payables from exchange transactions	(2,391,868,669)	(32,330,337)	(60,538,143)	(2,484,737,149)
VAT payable	(62,626,296)	7,041,657	9,286,858	(46,297,781)
Provisions	(98,748,234)	(3,985,041)	-	(102,733,275)
Non-Current Liabilities				
Provisions	(628,688,755)	(14,087,629)	-	(642,776,384)
Reserves				
Revaluation reserve	(4,966,163,388)	(25,414,507)	(11,259,415)	(5,002,837,310)
Accumulated surplus	(12,216,364,112)	137,915,308	104,677,736	(11,973,771,068)
	937,297,414	-	-	937,297,414

Statement of Financial Performance 2021

	As previously reported 2022	Correction of error	Restated 2022
Revenue			
Service charges	(4,328,743,177)	4,802,117	(4,323,941,060)
Rental of facilities and equipment	(49,216,654)	(537,625)	(49,754,279)
Living resources	(444,200)	(32,000)	(476,200)
Other income from exchange transactions	(102,137,323)	3,198	(102,134,125)
Expenditure			
Employee related costs	2,229,823,135	(12,607,710)	2,217,215,425
Depreciation and amortisation	906,656,592	830,116	907,486,708
Finance costs	245,309,601	374,372	245,683,973
Debt impairment and bad debt write off	1,857,510,907	11,721,642	1,869,232,549
Contracted services	616,465,205	106,858,433	723,323,638
General expenses	378,259,524	(7,152)	378,252,372
Bulk purchases	2,897,178,397	10,963	2,897,189,360
Loss on disposal of assets and liabilities	17,451,494	2,318,410	19,769,904
Loss on revaluation of assets	113,405,317	1,249	113,406,566
Fair value adjustments	(15,044,854)	24,179,295	9,134,441
	4,766,473,964	137,915,308	4,904,389,272

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68. Prior period errors (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 were restated due to the transfer of land which was not accounted for in previous financial years.

Other receivables from non-exchange transactions:

The comparative figure for other receivables from non-exchange transactions was restated due to expired traffic fines taken into account.

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 and a other receivable not recognised in the prior year.

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.

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

During the period under review it was noted that a number of prepaid meters belonging to Southern Free State Towns was incorrectly included in the entity's fixed asset register as at 30 June 2021. The comparative statements for 2021/22 financial year have been restated.

During the period under review it was noted that a number of repairs and maintenance related costs were incorrect recorded to capital work in progress at 30 June 2021. The comparative statements for 2021/22 financial year have been restated.

During the period under review it was noted that orders were incorrect recorded to capital work in progress as at 30 June 2022. A correction was made and the comparative statements for 2021/22 financial year have been restated.

Heritage assets:

The comparative figure for Heritage assets was restated due to additional Heritage assets identified which was not accounted for or which was incorrectly accounted for in Property, plant and equipment.

Living resources:

The comparative figure for living resources were restated due to giraffes not accounted for in the prior year.

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.

Intangible assets:

During the period under review it was noted that computer equipment was incorrectly classified as intangible assets during the prior financial year. A correction was made and the comparative statements for the 2021/22 financial year have been restated.

Provisions:

At year end the municipality noted that the post closure monitoring and maintenance costs were not part of provisions calculations. The post closure monitoring and maintenance of landfill sites were factored in the provisions calculations.

Revaluation Reserve:

The comparative figure for revaluation reserve was restated due to the effect of the prior period errors on property, plant and equipment.

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68. Prior period errors (continued)

Cash and cash equivalents:

During the period under review it was noted that a prior period transaction which was incorrectly stopped and cancelled was corrected and reinstated in the current period instead of the prior year. A correction was made and the comparative statements for the 2021/22 financial year have been restated.

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.

Accumulated surplus:

The comparative figure for the accumulated surplus (2021 balance) was restated due to the cumulative effect of the various prior period errors which includes the following:

- Indigents incorrectly accounted for in the previous financial years, corrected during the current financial year.
- Corrections was made to VAT and expenditure due to a vat review performed by consultants.
- Land previously not accounted for was recognised during the year and some land was derecognised during the year which had an impact on the opening balances.
- Payables and provisions previously not accounted for was accounted for during the current year which had had an impact on VAT, expenditure, payables, provisions and contracted services.
- Traffic fines older than 2 years was incorrectly accounted for in the financial statements, which was now expired and removed from the traffic fines receivables.

Service charges:

During the prior year it was noted that prepaid customers who were zoned as business were being charged residential tariffs for prepaid electricity purchases instead of business tariffs. A recalculation was performed to determine the correct value the customers should have been charged during the 2021/22 and previous financial year. A debtor was raised in the prior financial year. During the current financial year the calculation performed and debtor raised in the prior financial year was reviewed and recalculated. This resulted in an adjustment to the calculation affecting the debtor raised in the prior financial year. A correction was made and the comparative statements for the 2021/22 financial year have been restated.

The variance is also attributed to the impact of frequent loadshedding experienced during the year as well as customers converting to alternative energy sources due to the inconvenience of load shedding and escalating electricity tariffs.

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.

Other income from exchange transactions:

The comparative figure for other income from exchange transactions was restated due to refunds not accounted for.

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.

Finance costs:

The comparative figure for finance cost was restated due to the effect of the prior period errors on payables from exchange transactions.

Debt impairment and bad debt write off:

The comparative figure for debt impairment and bad debt write off was due to restatement of the traffic fines receivable amount which had an impact on the provision for impairment and correction of previously written off indigents.

Bulk purchases:

The comparative figure for bulk purchases was restated due to the impact of inventory losses in the prior financial year.

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.

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68. Prior period errors (continued)

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.

Loss on disposal of assets and liabilities:

The comparative figure for loss on disposal of assets and liabilities is due to the correction of capitalised assets recorded in the incorrect financial year.

Loss on revaluation of assets:

The comparative figure for loss on revaluation of assets is due to a VAT adjustment on capital certificates prior to revaluation of properties.

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69. 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:

69.1 Service charges:

The variance is attributed partially to the impact of frequent loadshedding experienced during the year as well as customers considering alternative energy sources due to the escalating electricity tariffs.

69.2 Other income and exchange transactions:

The variance is due to lower revenue collected for rendering of services than anticipated and also attributed to streetlight consumption revenue not originally being budgeted for under other income but rather under service charges due to mSCOA requirements.

69.3 Interest received from exchange transactions:

The variance is due to an increase in cash and cash equivalents, resulting in an increase in interest received from exchange transactions.

69.4 Dividends received:

Immaterial amount

69.5 Agency services:

The variance is attributed to the drop in the transaction values for the Southern Free State municipalities. The drop is due to the impact of loadshedding that reduced the volume of transactions linked to the Southern Free State municipal towns resulting in a decrease in the actual administrative, network and vending charges.

69.6 Living resources:

Immaterial difference amount.

69.7 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 and also mainly due to less investments being done during the year than initially budgeted for.

69.8 Property Rates

The difference is due to a conservative budgeting approach on property rates and there were also new developments and building alterations during the year.

69.9 Fines, penalties and forfeits:

The variance is mainly due to hampered performance regarding the implementation of the traffic management system.

69.10 Government grants and subsidies (Operational):

The variance is due to additional funding that was received later during the financial year and is also due to the fact that the amount budgeted for included VAT while the actual amount recognized for the grant revenue excludes VAT.

69.11 Public contributions and donations:

No budget was made for these.

69.12 Depreciation and amortisation

The variance is due to insufficient budget for depreciation and amortisation and also due to the underestimation of the depreciation and amortisation values which are influenced by condition assessment of individual assets at year end and the revaluation of assets at the end of the prior financial year. Another factor is the cutting down of the entity's budget on consolidation as per the prescribed budget related requirements of the parent municipality.

69.13 Finance cost:

The variance is due to insufficient budget for borrowings and the employee benefit obligation and is also due to the concession reached between the entity and the parent municipality on how to deal with the impact of the Sale of business. The budget considered only R120 000 while the sale of business agreement refers to the full amount.

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69. Budget differences (continued)

69.14 Debt impairment & bad debt write-off:

The variance is due to insufficient budget for debt impairment and high rate of collectability and also as a result of the unpredictable movement on the consumer debtors' accounts.

69.15 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.

69.16 Contracted services:

Less is spend due to cashflow constrains.

69.17 Grants and subsidies paid (Operational):

The variance is due to additional funding that was received to be transferred to Centlec (Pty) LTD.

69.18 General expenses:

The variance is due to increased costs of general expenditure items and electricity and also due to the fact that the municipal entity experienced a decline in revenue that required stringent controls over expenditure which resulted in a reduction in the individual general expenditure items.

69.19 Inventory losses:

Inventories losses/write-downs - Unpredictable at the time of preparing the budget thus the reason for variance.

69.20 Actuarial gains:

The variance is due to unplanned estimates from actuaries.

69.21 Impairment loss:

The entity did not expect to lose any value in assets through impairment and thus did not budget for this type of expenditure, but it is also linked to the inventory valuation process at year end that is not taken into account during the budget preparation process. Other items include the impairment of PPE whose recoverable amounts are not readily available at the time of budget preparation thus are not taken into account.

69.22 Fair value adjustments:

The variance is mainly due to derecognitions performed on land, downwards revaluing of water meters, quarries and landfill sites and also an increase in valuation on Investment Property

69.23 Loss on disposal of assets:

The proceeds on disposals are unpredictable at the time of preparing the budget which is the cause for the variance and also the large variance is mainly attributed to the wear and tear effect that the constant loadshedding is having on the electrical infrastructure assets. These assets are put under a lot of strain due to loadshedding resulting in a lot of them having to be replaced. This in turn results in a larger than anticipated disposal of damaged assets.

69.24 Government grants and subsidies (Capital):

The variance is mainly due to less capital grants spend than anticipated.

69.25 Tax expense:

The tax expense is based on the accounting surplus/deficit which is affected by the variances above included in the statement of financial performance.

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69. Budget differences (continued)

Financial Position:

69.26 Current assets:

The variance is mainly due to an increase in inventories, other receivables from non-exchange transactions, consumer receivables from non-exchange transactions, other receivables from exchange transactions, vat receivable and the centlec intercompany loan. The variance is also due to a decrease in consumer receivables from exchange transaction and cash and cash equivalents.

A large volume of high value items were received towards the end of the year resulting in a larger actual balance for inventory than initially budgeted for. Furthermore, the operations of the municipal entity was also impacted by the impact of loadshedding resulting in more store items needed to be on hand for power failures and maintenance.

The impact of the debt impairment could not have been reliably predicted at the time of preparing the budget thus the reason for the variance.

The variance is mainly attributed to some creditor payments being done close to year end resulting in a lower than budgeted balance as at year end.

69.27 Non-current assets:

The variance is mainly due to increases in values that were moved from work in progress to capitalisation resulted in an increase in depreciation. Additionally, the variance in deferred tax is mainly attributed to the larger than anticipated taxable loss resulting in a large temporary tax difference.

The variance is mainly due to large downward adjustments due to asset conditions and large additions that increased the depreciation expense in the current year.

The variance is mainly an increase in the value of servitudes due to a new valuation roll being released.

The variance is attributed to the fact that no budget was prepared for this item as it is a book entry between the municipal entity and the Southern Free State towns receivable.

The variance is mainly attributed to the larger than anticipated taxable loss resulting in a large temporary tax difference.

69.28 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. Additionally, some of the line items that make up the payable from exchange transaction such as the deferred revenue, electricity connections and unallocated deposit did not move in the same direction as projected in the budget.

The variance is due to the fact that the expense was budgeted for as an operating lease and not in terms of a finance lease.

The main reason for the variance is the ESKOM Circular 124 debt relief granted to Centlec which could not be taken into consideration when the budget was prepared.

VAT is not provided for in the budget process.

The variance is due consumer deposits being higher than anticipated following the completion of a number of public connections projects.

69.29 Non-current liabilities:

The variance is mainly due to under budgeted changes to finance leases, borrowings and the reduction in the liabilities incurred on service concession assets. Additionally, the deferred tax final figure is influenced by the actual movements in the timing differences that cannot be reliably predicted. Furthermore, the parameters used to arrive at the figure for long service awards are influenced by the actuarial records at year-end while the budget is based on the adjusted projections of the prior year.

The budget was prepared on the basis that the sale of business agreement was to be replaced with a new settlement agreement, thus no budget was made for the loan balance.

The deferred tax final figure is influenced by the actual movements in the timing differences that cannot be reliably predicted.

The parameters used to arrive at the figure for long services are influenced by the actuarial records at the year end while the budget is based on the adjusted projections prior year.

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69. Budget differences (continued)

Reserves:

69.30 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.

The variance is mainly attributed to the revaluation of infrastructure assets resulting in a large increase in the asset value from the prior year. The adjusted budget did not fully accommodate this increase.

Cash flow:

69.31 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.

70. Taxation

Major components of the tax income

Current

Prior year - (Over) / Under provision 485,308 -

Deferred

Originating and reversing temporary differences	30,402,150	(42,222,907)
Assessed loss used	1,128,450,550	1,132,740,928
Assessed loss raised	(1,256,215,500)	(1,170,245,015)
Changes in tax rates	546,211	-
Prior year - (Over) / Under provision	(485,308)	-
	(97,301,897)	(79,726,994)
	(96,816,589)	(79,726,994)

Reconciliation of the tax expense

Reconciliation between accounting deficit and tax expense.

Accounting deficit (347,862,640) (271,148,628)

Tax at the applicable tax rate of 27% (2022: 28%) (93,922,913) (75,387,224)

Tax effect of adjustments on taxable income

Non-taxable income	(11,099,674)	(6,930,860)
Non-deductible expenses	7,659,786	2,591,090
Change in rate	546,211	-
	(96,816,590)	(79,726,994)

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71. Subsequent events

On 24 October 2023 a security breach on the Mangaung Metro Municipal network occurred, which was caused by ransomware.

The cyber-attack rendered all applications used by the municipality inoperable, including critical application systems such as Solar (financial system) HR Focus, telephones, email and internet access for all users. Additionally, the cyber-attack has impeded service delivery, impacting payments to service providers, procurement of essentials such as diesel, building plan approvals, indigent funerals, issuance of clearance certificates etc.

Most significantly, the breach has hampered the municipality's ability to engage with its community and key stakeholders. This security breach poses a risk not only to the municipality's daily operations, but also the delivery of vital municipal services.

The financial impact of the security breach could not yet be determined.

The Minister approved a financial recovery plan (FRP) in August 2023. The aim of the FRP is to improve the municipalities financial viability.

This FRP is being implemented by the municipality.

The municipality has appointed a City Manager and new HOD's on a permanent basis on 1 November 2023. This appointment aims to bring stability and clear direction for the municipality.

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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.

Centlec (SOC) Ltd

The principal activity of the municipal entity is the distribution of electricity to industries, businesses and households mainly in the Mangaung and Southern Free state area.

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72. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	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	Centlec SOC (Ltd)	Planning, Economic and Rural Development	Total
Revenue											
Revenue from exchange transactions	1,234,035	68,634,633	42,871,384	139	-	204,932,426	2,016,531,564	9,984,523	2,789,248,062	48,663,323	5,182,100,089
Revenue from non-exchange transactions	1,225,079	3,032,141,182	-	-	-	261,852,156	459,267,996	11,392,954	26,173,104	3,411,930	3,795,464,401
Total segment revenue	2,459,114	3,100,775,815	42,871,384	139	-	466,784,582	2,475,799,560	21,377,477	2,815,421,166	52,075,253	8,977,564,490
Entity's revenue											8,977,564,490
Expenditure											
Bulk purchases	-	-	-	-	-	-	810,881,498	3,757,155	2,140,676,408	-	2,955,315,061
Contracted services	33,692,606	147,874,482	2,928,224	8,185,102	3,221,816	53,191,334	191,646,389	2,097,924	113,262,795	12,737,165	568,837,837
Debt impairment & bad debt written off	-	288,310,640	18,593,932	-	-	91,266,480	1,203,934,251	9,134,624	(56,751,727)	212,868	1,554,701,068
Depreciation and amortisation	39,664,623	9,394,647	-	-	-	45,229,277	467,423,994	49,214,323	231,435,187	2,222,443	844,584,494
Employee related cost	217,792,526	416,108,891	85,981,539	116,636,216	48,263,220	250,032,535	333,226,144	240,389,580	447,986,843	84,361,110	2,240,778,604
Remuneration of councillors	-	-	-	-	69,433,541	-	-	-	-	-	69,433,541
Finance cost	66,061,000	67,223,964	78,730,271	-	-	(5,018,893)	47,949,283	-	52,653,104	12,428,450	320,027,179
General expenses	32,315,511	122,036,977	19,509,723	1,740,181	19,456,251	76,965,186	(7,724,107)	16,810,190	138,370,595	4,511,676	423,992,183
Gains and losses	(84,961,400)	1,925,480	(1,813,000)	-	-	14,665,745	23,619,996	1,157,943	64,753,365	(396,500)	18,951,629
Tax	-	-	-	-	-	-	-	-	(96,816,589)	16	(96,816,573)
Total segment expenditure	304,564,866	1,052,875,081	203,930,689	126,561,499	140,374,828	526,331,664	3,070,957,448	322,561,739	3,035,569,981	116,077,228	8,899,805,023
Total segmental surplus/(deficit)											77,759,467
Assets											
Current Assets											
Inventories	-	556,781,925	-	-	-	851,451	4,505,183	-	127,054,392	-	689,192,951

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72. Segment information (continued)											
Consumer receivables from non-exchange transactions	-	418,907,795	-	-	-	-	-	-	-	-	418,907,795
Consumer receivables from exchange transactions	-	199,784,834	3,541,263	-	-	80,934,318	483,031,367	-	533,983,087	-	1,301,274,869
Other receivables from non-exchange transactions	-	-	-	-	-	-	-	1,116,700	-	-	1,116,700
Other receivables from exchange transactions	9,711	135,252,396	4,607,213	-	-	-	-	-	147,359,659	4,866,480	292,095,459
Non-current receivable	-	-	-	-	-	-	-	-	191,345	-	191,345
Cash and cash equivalents	-	686,865,832	-	-	-	-	-	-	24,295,084	-	711,160,916
Non-Current Assets											
Investment property	-	-	1,587,424,015	-	-	-	-	-	-	-	1,587,424,015
Property plant and equipment	1,336,465,999	32,336,722	-	-	-	408,714,688	7,600,734,312	706,535,801	6,087,344,789	1,304,575,053	17,476,707,364
Intangible assets	14,913,309	-	-	-	-	-	-	-	98,177,119	27,505,707	140,596,135
Heritage assets	250,207,320	-	-	-	-	-	-	4,488,687	-	-	254,696,007
Deferred tax asset	-	-	-	-	-	-	-	-	1,414,854,171	-	1,414,854,171
Non-current receivables	(202,788)	143,770	214,795	-	-	-	-	-	108,412	-	264,189
Living resources	-	-	-	-	-	-	-	3,171,000	-	-	3,171,000
Total segment assets	1,601,393,551	2,030,073,274	1,595,787,286	-	-	490,500,457	8,088,270,862	715,312,188	8,433,368,058	1,336,947,240	24,291,652,916
Total assets as per Statement of financial Position											24,291,652,916
Liabilities											
Current Liabilities											
Payables from exchange transactions	330,164,290	1,726,726,407	206,959	-	-	(136)	(252,180,938)	-	602,131,893	6,320,605	2,413,369,080
Payables from non-exchange transactions	-	265,768,845	590,490	-	-	-	-	(57,304)	-	-	266,302,031
Consumer deposits	-	-	-	-	-	-	34,408,218	-	160,495,800	-	194,904,018
Unspent conditional grants and receipts	9,962,668	359,967,564	-	-	-	-	-	-	-	-	369,930,232
Finance lease obligation	-	-	-	-	-	-	-	-	1,511,179	-	1,511,179
Borrowings	-	162,818,218	-	-	-	-	-	-	-	-	162,818,218

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72. Segment information (continued)											
VAT payable	-	(206,486,354)	-	-	-	-	-	-	247,523,390	-	41,037,036
Provisions	-	117,539,100	-	-	-	-	-	-	-	-	117,539,100
Employee benefit obligation	34,593,000	-	-	-	-	-	-	-	613,000	-	35,206,000
Non-Current Liabilities											
Borrowings	-	-	-	-	-	-	260,647,866	-	257,880,585	46,359,180	564,887,631
Provisions	-	691,222,696	-	-	-	-	-	-	-	-	691,222,696
Employee benefit obligation	526,418,600	-	-	-	-	-	-	-	27,019,000	-	553,437,600
FRESHCO liability	-	135,392,341	-	-	-	-	-	-	-	-	135,392,341
Deferred tax liability	-	-	-	-	-	-	-	-	1,333,331,491	-	1,333,331,491
Land availability liability	-	251,723,941	-	-	-	-	-	-	-	-	251,723,941
Total segment liabilities	901,138,558	3,504,672,758	797,449	-	-	(136)	42,875,146	(57,304)	2,630,506,338	52,679,785	7,132,612,594
Total liabilities as per Statement of financial Position											7,132,612,594

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72. Segment information (continued)

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	Centlec SOC (Ltd)	Planning, Economic and Rural Development	Total
Revenue											
Revenue from non-exchange transactions	-	2,910,110,064	-	-	-	282,422,485	353,718,950	3,882,324	8,036,232	2,900,908	3,561,070,963
Revenue from exchange transactions	926,849	32,060,966	45,461,143	70	-	172,531,429	1,703,454,693	10,267,753	2,770,018,991	44,934,770	4,779,656,664
Total segment revenue	926,849	2,942,171,030	45,461,143	70	-	454,953,914	2,057,173,643	14,150,077	2,778,055,223	47,835,678	8,340,727,627
Entity's revenue											8,340,727,627
Expenditure											
Bulk purchases	-	-	-	-	-	-	835,315,570	10,963	2,061,862,827	-	2,897,189,360
Contracted services	54,718,274	131,782,862	31,631,493	26,687,089	2,245,617	36,762,446	301,046,187	2,787,692	107,621,996	17,895,719	713,179,375
Debt impairment & bad debt written off	-	36,621,016	283,931,495	-	-	1,383,762,380	100,995,320	(13,416,830)	77,201,367	137,801	1,869,232,549
Depreciation and amortisation	45,646,284	8,368,335	-	-	-	74,031,222	492,098,551	52,233,151	232,800,268	2,308,898	907,486,709
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	408,314,942	80,896,708	2,217,215,426
Remuneration of councillors	-	-	-	-	67,894,941	-	-	-	-	-	67,894,941
Finance cost	56,060,000	28,128,074	72,036,168	-	-	1,774,713	58,694,442	-	12,880,013	16,110,563	245,683,973
General expenses	27,569,005	128,749,325	9,838,058	1,788,173	21,164,543	70,423,954	(10,283,457)	15,087,998	121,336,677	2,722,352	388,396,628
Gains and losses	(155,235,318)	5,675,614	(14,694,028)	-	-	21,457,414	33,125,677	105,542	6,333,853	228,010,546	124,779,300
Tax	-	-	-	-	-	-	-	-	(79,726,995)	(8)	(79,727,003)
Total segment expenditure	237,563,592	713,522,289	472,648,308	133,950,117	211,461,757	1,842,657,872	2,138,629,201	304,190,595	2,948,624,948	348,082,579	9,351,331,258
Total segmental surplus/(deficit)											(1,010,603,631)
Assets											
Current Assets											
Cash and cash equivalents	-	728,277,531	-	-	-	-	-	-	3,013,393	-	731,290,924
Non-current receivables	-	-	-	-	-	-	-	-	273,713	-	273,713
Consumer receivables from exchange transactions	-	199,784,834	3,550,403	-	-	63,856,733	604,099,960	-	512,823,316	-	1,384,115,246

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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	Centlec SOC (Ltd)	Planning, Economic and Rural Development	Total
72. Segment information (continued)											
Consumer receivables from non-exchange transactions	-	338,888,441	-	-	-	-	-	-	-	-	338,888,441
Inventory	-	543,896,557	-	-	-	1,299,734	4,496,316	-	125,051,279	-	674,743,886
Other receivables from exchange transactions	71,434	69,709,459	2,991,138	-	-	-	-	-	132,878,289	4,173,036	209,823,356
Other receivables from non-exchange transactions	-	-	-	-	-	-	-	766,274	-	-	766,274
Non-Current Assets											
Heritage assets	248,479,224	-	-	-	-	-	-	4,488,687	-	-	252,967,911
Deferred tax asset	-	-	-	-	-	-	-	-	1,342,777,625	-	1,342,777,625
Intangible assets	11,638,741	-	-	-	-	-	-	-	95,574,202	27,505,712	134,718,655
Living resources	-	-	-	-	-	-	-	3,706,201	-	-	3,706,201
Investment property	-	-	1,585,611,015	-	-	-	-	-	-	-	1,585,611,015
Non-current receivables	(135,192)	124,259	163,889	-	-	-	-	-	299,757	-	452,713
Property, plant and equipment	1,376,825,722	31,380,560	-	-	-	466,525,230	7,670,116,873	722,785,737	6,219,524,479	1,311,158,461	17,798,317,062
Total segment assets	1,636,879,929	1,912,061,641	1,592,316,445	-	-	531,681,697	8,278,713,149	731,746,899	8,432,216,053	1,342,837,209	24,458,453,022
Total assets as per Statement of financial Position											24,458,453,022
Liabilities											
Borrowings	-	-	-	-	-	-	382,087,800	-	-	88,033,524	470,121,324
Borrowings - Current portion	-	198,773,523	-	-	-	-	-	-	-	-	198,773,523
Consumer deposits	-	-	-	-	-	-	33,839,791	-	130,373,809	-	164,213,600
Employee benefit obligation	553,826,000	-	-	-	-	-	-	-	25,187,001	-	579,013,001
Employee benefit obligation - current	32,007,000	-	-	-	-	-	-	-	2,489,000	-	34,496,000
VAT payable	-	(160,815,455)	-	-	-	-	-	-	207,113,239	-	46,297,784
Finance lease obligation	-	-	-	-	-	-	-	-	1,511,179	-	1,511,179
Finance lease obligation - current portion	-	12,096,615	-	-	-	-	-	-	1,988,246	-	14,084,861
Freshco liability	-	149,520,237	-	-	-	-	-	-	-	-	149,520,237
Land availability liability	-	267,561,408	-	-	-	-	-	-	-	-	267,561,408

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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	Centlec SOC (Ltd)	Planning, Economic and Rural Development	Total	
72. Segment information (continued)												
Payables from exchange transactions	365,796,355	1,493,291,590	231,550	-	-	-	(143)	(36,213,108)	-	655,759,731	5,871,172	2,484,737,147
Payables from non-exchange transactions	-	307,229,019	583,528	-	-	-	-	-	(57,304)	-	-	307,755,243
Unspent conditional grants and receipts	5,299,588	565,739,456	-	-	-	-	-	-	-	-	-	571,039,044
Deferred tax liability	-	-	-	-	-	-	-	-	-	1,358,071,535	-	1,358,071,535
Provisions	-	642,776,384	-	-	-	-	-	-	-	-	-	642,776,384
Provisions - current portion	-	102,733,278	-	-	-	-	-	-	-	-	-	102,733,278
Total segment liabilities	956,928,943	3,578,906,055	815,078	-	-	-	(143)	379,714,483	(57,304)	2,382,493,740	93,904,696	7,392,705,548
Total liabilities as per Statement of financial Position												7,392,705,548

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.