Mopani District Municipality
Annual financial statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Government
Nature of business and principal activities	• Provision of a democratic and accountable Local Government for communities in the Mopani District rea; •Ensuring the provision of services to these communities in a sustainable manner; •Promotion of social and economic development; •Promotion of a safe and healthy environment; and •Encourage the involvement of communities and community organisations in the matters of Local Government in the Mopani District
Grading of local authority	4
Accounting Officer	Mr Kgatla Q
Chief Finance Officer	Mr T.J Mogano
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Bankers	First National Bank
Auditors	Auditor General - South Africa

General Information

Audit Committee	Mr Modipane T.C CA(SA) Chairperson
	Mrs Mabuza J.M
	Mr Ngobeni S.A.B
	Mr Nevhutalu T.G CA(SA)
Lawyers	Kgatla Attorneys
	Maloka Thulare Attorneys
	Mahowa Attorneys
	Maboku Mangena Attorneys
	Mahumani Attorneys
	Mabu Letaba Attorneys
	Magabe Attorneys
	Mogaswa Incorporated
	Modjadji Raphesu Attorneys
	Mohale Attorneys
	Sefalafala Attorneys
	N.J Morero Attorneys
	Popela Maake Attorneys
	Pungu Attorneys
	Raphela Attorneys
	Rathelele Attorneys
	Ramotwala Attorneys
	SML Matsaung Attorneys
	Talane and Associates
	T.J Machete Attorneys
	Verveen Attorneys

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

COID	Compensation for Occupational Injuries and Diseases
COIDA	Compensation of Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
COVID-19	Coronavirus Disease
GRAP	Generally Recognised Accounting Practice
CPI	Consumer Price Index
DWS	Department of water and sanitation
DORA	Division of Revenue Act
FMG	Financial management grant
LG SETA	Local Goverment Sector Education and Training
MTREF	Medium Term Expenditure and Revenue Framework
MIG	Municipal Infrastructure Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PEMA	Post Employment Medical Aid
SALGBC	South African Local Goverment Bargaining Council
SALGA	South African Local Goverment Association

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 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 are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed by:

Accounting Officer
Kgatla Q (Municipal Manager)

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is engaged in • provision of a democratic and accountable local government for communities in the Mopani district rea;
•ensuring the provision of services to these communities in a sustainable manner;
•promotion of social and economic development;
•promotion of a safe and healthy environment; and
• encourage the involvement of communities and community organisations in the matters of local government in the Mopa district and operates principally in South Africa..

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net surplus of the municipality was 712 918 363 (2020: surplus 45 199 220)..

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.These basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will be met on time. Contingent liabilities will be managed accordingly.

The municipality continues to receive its equitable share in line with constitutional mandate as be division of revenue act.

As at 30 June, the municipality's current liabilities exceed the current assets by R764 584 500 resulting in the municipality being technically insolvent. The fact on its own does not bar the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates

The following factors could have undermined the going concern assumptions indicated above if they were not properly managed as indicated.

a) The municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities; the local municipalities are appointed as service providers and the district is the service authoriy

b) The obligation to Lepelle Northern Water at R306 096 468 and Department of Water and Sanitation at R489 930 590 contributes as biggest creditiors for the municipality over which there there continue to threaten the going cornen for the entity.

c) The litigation against the municipality to the value of R400 025 981 provided continuity risk for the district municipality. however management continues to monitor the risk.

Based on the above assessment done, the district municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2021 under going concern assumptions. The municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Accounting Officer's Report

5. Banker

The District Municipality has changed the bank at the beginning of financial period 2020/2021 from ABSA Bank to FNB.

6. Auditors

Auditor General South Africa (AGSA) will continue as the auditors in the current financial period.

The annual financial statements set out on page 1 to page 92, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Accounting Officer
Kgatla Q (Municipal Manager)

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	6	30 463 736	18 560 030
Receivables from exchange transactions	7	936 353 815	644 724 385
Cash and cash equivalents	8	30 152 517	216 772 059
		996 970 068	**880 056 474**
Non-Current Assets			
Property, plant and equipment	3	6 188 816 952	5 761 687 765
Intangible assets	4	8 026 148	7 998 194
Heritage assets	5	432 000	432 000
		6 197 275 100	**5 770 117 959**
Total Assets		**7 194 245 168**	**6 650 174 433**
Liabilities			
Current Liabilities			
Finance lease obligation	36	25 587 901	29 373 381
Payables from exchange transactions	10	1 650 666 417	1 711 326 095
Consumer deposits	11	3 608 097	4 567 011
Unspent conditional grants and receipts	9	81 716 178	174 187 241
		1 761 578 593	**1 919 453 728**
Non-Current Liabilities			
Finance lease obligation	36	-	19 936 330
Employee benefit obligation	34	77 048 908	70 717 956
Landfill site Provision	37	5 772 678	3 139 785
		82 821 586	**93 794 071**
Total Liabilities		**1 844 400 179**	**2 013 247 799**
Net Assets		**5 349 844 989**	**4 636 926 634**
Accumulated surplus		5 349 844 989	4 636 926 625
Total Net Assets		**5 349 844 989**	**4 636 926 625**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	13	309 327 655	234 161 066
Agency services	14	678 611	1 642 968
Interest on overdue accounts	15	69 484 544	52 554 855
Interest received - Investment	15	6 479 246	19 298 173
Other income	16	1 123 611	1 021 352
Actuarial gains		-	12 220 441
Total revenue from exchange transactions		**387 093 667**	**320 898 855**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	17	1 751 551 494	1 270 621 865
Public contributions and donations	48	3 798 435	-
Debt Forgiveness	18	160 942 118	-
Total revenue from non-exchange transactions		**1 916 292 047**	**1 270 621 865**
Total revenue	12	**2 303 385 714**	**1 591 520 720**
Expenditure			
Employee related costs	19	(460 544 581)	(443 598 855)
Remuneration of councillors	20	(13 077 371)	(13 097 905)
Depreciation and amortisation	21	(202 186 800)	(191 929 714)
Impairment and write off - assets	22	(2 744 166)	(14 165 704)
Finance costs	23	(38 144 862)	(66 119 162)
Debt Impairment	24	(59 441 650)	(150 510 781)
Bulk purchases	25	(184 169 129)	(188 755 344)
Contracted services	26	(59 896 362)	(49 223 800)
Transfers and Subsidies	27	-	(2 415 339)
Repairs and maintenance		(308 978 570)	(200 518 535)
Actuarial losses		(847 447)	-
Inventories losses/write-downs		-	(745 497)
General Expenses	28	(260 436 413)	(225 240 864)
Total expenditure		**(1 590 467 351)**	**(1 546 321 500)**
Surplus for the year		**712 918 363**	**45 199 220**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 478 670 505	4 478 670 505
Adjustments		
Correction of errors	113 056 900	113 056 900
Balance at 01 July 2019 as restated*	**4 591 727 405**	**4 591 727 405**
Profit for the year	45 199 220	45 199 220
Total changes	45 199 220	45 199 220
Restated* Balance at 01 July 2020	**4 636 926 626**	**4 636 926 626**
Surplus for the year	712 918 363	712 918 363
Total changes	712 918 363	712 918 363
Balance at 30 June 2021	**5 349 844 989**	**5 349 844 989**
Note(s)		

* See Note 46

Statement of Cash Flow

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Service charges		334 662	367 087
Grants		1 659 080 431	1 355 384 064
Interest income		7 376 326	19 508 932
Other receipts		2 072 555	1 174 555
VAT refund		110 063 721	107 716 966
		1 778 927 695	1 484 151 604
Payments			
Employee costs		(471 957 260)	(455 665 572)
Suppliers		(733 219 822)	(499 410 080)
Finance costs		(28 150 547)	(56 970 445)
		(1 233 327 629)	(1 012 046 097)
Net cash flows from operating activities	44	**545 600 066**	**472 105 507**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(705 459 678)	(386 122 480)
Purchase of intangible assets	4	-	(3 787 088)
Net cash flows from investing activities		**(705 459 678)**	**(389 909 568)**
Cash flows from financing activities			
Finance lease payments		(26 759 930)	(27 060 088)
Net increase/(decrease) in cash and cash equivalents		**(186 619 542)**	**55 135 851**
Cash and cash equivalents at the beginning of the year		216 772 059	161 636 209
Cash and cash equivalents at the end of the year	8	**30 152 517**	**216 772 060**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - Water revenue	165 893 916	-	**165 893 916**	273 986 402	**108 092 486**	49.X01
Service charges - Sanitation revenue	32 605 200	-	**32 605 200**	35 341 253	**2 736 053**	49.X02
Agency services	-	-	-	678 611	**678 611**	49.X03
Interest on outstanding debtors	41 215 428	-	**41 215 428**	69 484 544	**28 269 116**	49.X04
Other revenue	13 701 996	-	**13 701 996**	6 479 246	**(7 222 750)**	49.X05
Other income	4 212 480	227 000 000	**231 212 480**	1 123 611	**(230 088 869)**	49.X06
Total revenue from exchange transactions	**257 629 020**	**227 000 000**	**484 629 020**	**387 093 667**	**(97 535 353)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 135 221 124	(459 117)	**1 134 762 007**	1 751 551 494	**616 789 487**	49.X07
Public contributions and donations	-	-	-	3 798 435	**3 798 435**	49.X20
Debt forgiven	-	-	-	160 942 118	**160 942 118**	49.X08
Total revenue from non-exchange transactions	**1 135 221 124**	**(459 117)**	**1 134 762 007**	**1 916 292 047**	**781 530 040**	
Total revenue	**1 392 850 144**	**226 540 883**	**1 619 391 027**	**2 303 385 714**	**683 994 687**	
Expenditure						
Employee related costs	(397 854 024)	(11 416 509)	**(409 270 533)**	(460 544 581)	**(51 274 048)**	49.X09
Remuneration of councillors	(14 233 356)	(1)	**(14 233 357)**	(13 077 371)	**1 155 986**	49.X10
Depreciation and amortisation	(186 056 124)	-	**(186 056 124)**	(202 186 800)	**(16 130 676)**	49.X11
Impairment loss and write off	-	-	-	(2 744 166)	**(2 744 166)**	49.X12
Finance costs	(490 500)	-	**(490 500)**	(38 144 862)	**(37 654 362)**	49.X13
Debt Impairment	(65 173 668)	-	**(65 173 668)**	(59 441 650)	**5 732 018**	49.X14
Bulk purchases	(239 641 836)	(15 000 000)	**(254 641 836)**	(184 169 129)	**70 472 707**	49.X15
Repairs and maintenance	(161 082 552)	(105 040 332)	**(266 122 884)**	(308 978 570)	**(42 855 686)**	49.X16
General Expenses	(205 565 432)	(63 339 820)	**(268 905 252)**	(260 436 413)	**8 468 839**	49.X17
Contracted servives	(102 709 788)	(3 926 074)	**(106 635 862)**	(59 896 362)	**46 739 500**	49.X18
Total expenditure	**(1 372 807 280)**	**(198 722 736)**	**(1 571 530 016)**	**(1 589 619 904)**	**(18 089 888)**	
Operating surplus	**20 042 864**	**27 818 147**	**47 861 011**	**713 765 810**	**665 904 799**	
Actuarial gains/losses	-	-	-	(847 447)	**(847 447)**	49.X19
Transfer Recognised - Capital	528 638 004	156 723 526	**685 361 530**	628 913 531	**(56 447 999)**	
	528 638 004	**156 723 526**	**685 361 530**	**628 066 084**	**(57 295 446)**	
Surplus before taxation	**548 680 868**	**184 541 673**	**733 222 541**	**1 341 831 894**	**608 609 353**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**548 680 868**	**184 541 673**	**733 222 541**	**1 341 831 894**	**608 609 353**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	1 858 061 645	-	**1 858 061 645**	936 353 815	**(921 707 830)**	
Inventory	24 759 433	-	**24 759 433**	30 463 736	**5 704 303**	
Consumer debtors	107 527 768	(107 527 768)	-	-	-	
Cash and cash equivalents	161 592 914	55 179 145	**216 772 059**	30 152 517	**(186 619 542)**	
	2 151 941 760	**(52 348 623)**	**2 099 593 137**	**996 970 068**	**(1 102 623 069)**	
Non-Current Assets						
Property, plant and equipment	8 700 248 956	-	**8 700 248 956**	6 188 816 952	**(2 511 432 004)**	
Intangible assets	11 081 737	(3 118 607)	**7 963 130**	8 026 148	**63 018**	
Heritage assets	639 360	-	**639 360**	432 000	**(207 360)**	
	8 711 970 053	**(3 118 607)**	**8 708 851 446**	**6 197 275 100**	**(2 511 576 346)**	
Total Assets	**0 863 911 813**	**(55 467 230)**	**0 808 444 583**	**7 194 245 168**	**(3 614 199 415)**	
Liabilities						
Current Liabilities						
Finance lease obligation	90 529 714	-	**90 529 714**	25 587 901	**(64 941 813)**	
Payables from exchange transactions	1 666 588 877	20 775 122	**1 687 363 999**	1 650 666 417	**(36 697 582)**	
Consumer deposits	5 834 919	-	**5 834 919**	3 608 097	**(2 226 822)**	
Unspent conditional grants and receipts	-	-	-	81 716 178	**81 716 178**	
Provisions	1 587 622 925	1 558 249 544	**3 145 872 469**	-	**(3 145 872 469)**	
	3 350 576 435	**1 579 024 666**	**4 929 601 101**	**1 761 578 593**	**(3 168 022 508)**	
Non-Current Liabilities						
Other financial liabilities	149 032 525	-	**149 032 525**	-	**(149 032 525)**	
Employee benefit obligation	137 138 886	(143 474)	**136 995 412**	77 048 908	**(59 946 504)**	
Provisions	-	1 403 434	**1 403 434**	-	**(1 403 434)**	
Landfill site Provision	-	19 262 825	**19 262 825**	5 772 678	**(13 490 147)**	
	286 171 411	**20 522 785**	**306 694 196**	**82 821 586**	**(223 872 610)**	
Total Liabilities	**3 636 747 846**	**1 599 547 451**	**5 236 295 297**	**1 844 400 179**	**(3 391 895 118)**	
Net Assets	**7 227 163 967**	**(1 655 014 681)**	**5 572 149 286**	**5 349 844 989**	**(222 304 297)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	7 227 163 967	(1 655 014 681)	**5 572 149 286**	5 349 844 989	**(222 304 297)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges	199 846 056	(199 846 056)	-	334 662	**334 662**	
Government - operating	1 139 551 907	(98 722)	**1 139 453 185**	112 136 276	**(1 027 316 909)**	
Government - capital	526 413 000	36 090 000	**562 503 000**	1 659 080 431	**1 096 577 431**	
Interest income	54 917 000	-	**54 917 000**	7 376 326	**(47 540 674)**	
Other receipts	2 104 476	227 000 000	**229 104 476**	-	**(229 104 476)**	
	1 922 832 439	**63 145 222**	**1 985 977 661**	**1 778 927 695**	**(207 049 966)**	
Payments						
Suppliers and employee costs	(1 121 086 991)	(71 491 294)	**(1 192 578 285)**	(1 205 177 082)	**(12 598 797)**	
Transfer to grants	4	-	**4**	-	**(4)**	
Finance costs	(490 500)	-	**(490 500)**	(28 150 545)	**(27 660 045)**	
	(1 121 577 487)	**(71 491 294)**	**(1 193 068 781)**	**(1 233 327 627)**	**(40 258 846)**	
Net cash flows from operating activities	**801 254 952**	**(8 346 072)**	**792 908 880**	**545 600 068**	**(247 308 812)**	
Cash flows from investing activities						
Capital assets	(608 610 296)	(288 984 238)	**(897 594 534)**	(70 549 678)	**827 044 856**	
Cash flows from financing activities						
Finance lease payments	-	-	-	(26 759 930)	**(26 759 930)**	
Net increase/(decrease) in cash and cash equivalents	192 644 656	(297 330 310)	**(104 685 654)**	475 050 390	**579 736 044**	
Cash and cash equivalents at the beginning of the year	216 772 059	-	**216 772 059**	-	**(216 772 059)**	
Cash and cash equivalents at the end of the year	**409 416 715**	**(297 330 310)**	**112 086 405**	**475 050 390**	**362 963 985**	
Reconciliation						

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

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

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

Offsetting

Financial assets and liabilities are offset and net amount reported on the statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.Significant judgements include:

Receivables from exchange transactions

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 based pricing from active municipal suppliers.

Fair value estimation

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

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption 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 tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. estimated expenditure to be incurred to settle the liability is recognised as a provision. Where the effect of time value of money is material the liability is discounted. Additional disclosure of these estimates of provisions are included in note for Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits and long service award

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 government 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 medical aid liability.

Post-retirement benefit

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 asset (liability) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations

Other key assumptions for medical care obligations are based on current market conditions. Additional information is disclosed in Note 34.

Long services awards

The entitlement to long service award benefits is based on the employee remaining in service and the completion of a minimum service period of 10 years.Independent qualified actuaries carry out valuations of these obligations using the projected unit method. The assumptions used in determining the asset (liability) include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service award..

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate of 7.00% to discount future cash flows, where the effect of time value of money is material, unless otherwise stated.

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follows:

The municipality assesses whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit. The municipality also considers whether it has the power to direct significant terms and conditions of the transaction in determining whether it is an agent or principal.

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

Additional information is disclosed in Note 47 .

Point that water meet the definition of inventory

Key judgements made and assumptions applied to establish where water resources meet the definition of inventory, are as follows:

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

Cash and cash equivalents

Cash and cash equivalents are measured at cost.

Cash includes cash on hand with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cashf flow statement, cash and cash equivalents comprise cash on hand and deposits held on the call with banks

Long-term liabilities

Liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are disclosed by way of note to the financial statements

Disclosure for each material category of non - adjusting events after the reporting date should be done disclosing the nature of the event and the estimation of its financial effect of a statement that such an estimation cannot be made.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	4 - 10 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	7 - 15 years
Information Technology Equipment	Straight-line	4 years
Specialised vehicles	Straight-line	15 years
Water reservoir reticulation	Straight-line	5 - 60 years
Sewerage purification	Straight-line	5 - 60 years

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

Depreciation of an asset commences when the asset is ready for its intended use. 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 relevent lease. The depreciation charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no futurer 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 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

Derecognition

Accounting Policies

1.5 Property, plant and equipment (continued)

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets and proceeds.

1.6 Site restoration and dismantling cost

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

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

1.7 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 Years
Blyde water utility	Straight-line	20 Years
Licenses	Straight-line	5 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.8 Heritage assets

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

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Accounting Policies

1.8 Heritage assets (continued)

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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 a 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.

Derecognition

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

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

1.9 Financial instruments

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

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

A financial asset is cash, a residual interest of another municipality, or a contractual right to receive cash or another financial asset from another municipality or exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

Accounting Policies

1.9 Financial Instruments (continued)

A residual interest is any contract that entitles the holder to an interest in the assets of a municipality after deducting all of its liabilities net assets

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

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.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at fair value

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
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at fair value
Consumer deposits	Financial liability measured at fair value

1.10 Leases

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

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

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 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 on the remaining balance of the liability.

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

Operating leases - lessee

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

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

The cost of inventories of items that are not ordinarily 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 weighted average cost 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. After inventory is assessed at the end of the year, obsolete items are written down using the market value of the inventory items.

Water Inventory

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

Accounting Policies

1.11 Inventories (continued)

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.12 Impairment of non-cash-generating assets

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

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

Recoverable 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.

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

Designation

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

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

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

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

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

1.12 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.

1.13 Net asset

Net assets consists of residual interest of the municipality after deducting all of its liabilities.

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

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

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

Accounting Policies

1.14 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.

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.14 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.

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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 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.

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

The municipality provides post employment medical care benefits to retired employees after completion of a minimum service period. The expected cost of these benefits is accrued over the life expectancy of the retired employees.

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 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, that is, 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 32.

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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Sale of goods

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

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

Services charges

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.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined to the extend expenditure incurred is recoverable

Interest income

Revenue arising from the use by others of entity assets yielding interests 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 surplu or deficit using the effective interest rate method for financial instruments, a. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

1.18 Revenue from non-exchange transactions

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.

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

Recognition

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.
Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Unconditional grants

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

Conditional grants

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

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it isrecorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance

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Value Added Tax

The VAT is accounted for on an accrual basis and payable on the cash basis.

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.

Gifts and donations, including goods in-kind

1.18 Revenue from non-exchange transactions (continued)

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

Services in kind

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

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

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.

Measurement

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

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

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

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

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 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.

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Accounting Policies

1.20 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.22 Unauthorised expenditure

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

Accounting Policies

1.24 Irregular expenditure

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

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Budget information

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

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

1.26 Related parties

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

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

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

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

1.27 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 Mopani District 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

> No new standards that were effective and adopted in the current financial period.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

GRAP 25 - Employee benefits

IGRAP 21 - The effect of past decisions on materiality

GRAP 105 - Financial Instruments

The municipality has assessed the standards mentioned above and realised that there will be no material impact on the financial period under rview.

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	11 980 776	-	11 980 776	11 980 776	-	11 980 776
Buildings	182 531 673	(91 777 738)	90 753 935	179 609 145	(84 930 195)	94 678 950
Work In Progress	1 892 028 432	-	1 892 028 432	1 372 512 051	-	1 372 512 051
Infrastructure	8 075 385 402	(3 977 175 210)	4 098 210 192	7 898 151 557	(3 706 493 693)	4 191 657 864
Other property, plant and equipment	83 154 356	(32 558 292)	50 596 064	66 153 770	(30 736 212)	35 417 558
Other leased Assets	68 505 530	(23 257 977)	45 247 553	77 566 909	(22 126 343)	55 440 566
Total	**0 313 586 169**	**(4 124 769 217)**	**6 188 816 952**	**9 605 974 208**	**(3 844 286 443)**	**5 761 687 765**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Write Offs	Transfers	Depreciation	Total
Land	11 980 776	-	-	-	-	-	11 980 776
Buildings	94 678 950	3 198 216	-	-	-	(7 123 231)	90 753 935
Work in progress	1 372 512 051	552 297 183	-	-	(32 780 802)	-	1 892 028 432
Infrastructure	4 191 657 864	88 741 401	-	(2 744 166)	-	(179 444 907)	4 098 210 192
other property, plant and equipment	35 417 558	19 253 827	(1 000)	-	-	(4 074 321)	50 596 064
leased Assets	55 440 566	-	-	-	-	(10 193 013)	45 247 553
	5 761 687 765	**663 490 627**	**(1 000)**	**(2 744 166)**	**(32 780 802)**	**(200 835 472)**	**6 188 816 952**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Prior Year Adjustment	Other changes, movements	Depreciation	Impairment loss	Total
Land	11 980 776	-	-	-	-	-	-	11 980 776
Buildings	74 170 792	898 402	-	25 795 185	-	(6 185 429)	-	94 678 950
Work In Progress	1 387 999 417	327 918 266	(69 372 973)	(274 032 659)	-	-	-	1 372 512 051
Infrastructure	4 044 402 322	74 212 636	-	259 633 014	(10 107 383)	(171 483 469)	(4 999 256)	4 191 657 864
Other property, plant and equipment	34 528 540	4 312 723	-	(568)	(175 678)	(3 247 459)	-	35 417 558
leased Assets	56 516 638	9 061 379	-	-	-	(10 137 451)	-	55 440 566
	5 609 598 485	**416 403 406**	**(69 372 973)**	**11 394 972**	**(10 283 061)**	**(191 053 808)**	**(4 999 256)**	**5 761 687 765**

Pledged as security

None of the property, plant and equipment has been pledged as security of any liability.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	63 332 552	63 332 552
Copier Machines	5 321 238	5 321 238
	68 653 790	**68 653 790**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Water Infrastructure	1 689 901 766	1 177 445 748
Sewer Infrastructure	202 126 803	195 066 306
	1 892 028 569	**1 372 512 054**

Included in the WIP is an amount of R17 464 513 for giyani sewer works project which MDM is unable capitalise due to additional work done by DWS as part of the ministerial intervention. The plant is currently in operation however MDM is failing to capitalize it as a portion of work was completed by DWS . The municipality is awaiting transfer of work done by DWS to be able to capitalize the project. The depreciated amount for WIP constructed by MDM is estimated to be around R3 200 000. DWS has indicated that the project will only be handed over once the entire programme is complete.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Upgrading of Senwamokgope sewega plant	-	21 551 662
Refurbishment of Nkowankowa sewer plant	5 706 000	16 350 998
Refurbishment of Phalaborwa sewer plant	-	6 083 100
Refurbishment of sewer pump	5 352 985	5 352 985
Sekgosese Ground water development scheme	6 781 442	6 781 442
Construction of water reticulation Ga - Wally	4 650 971	4 650 971
Upgrading of water reticulation GTM	-	15 740 464
Kampersrus water supply	-	32 780 364
Refurbishment Nkambako regional water scheme	17 140 112	17 140 112
Refurbishment DWAF	10 269 856	10 269 856
Nwamitwa MPCC	-	26 417 900
Extension of scope for Sekgosese and Worcester schemes	-	1 843 586
Extension of scope for Sekgosese and Worcester schemes	-	1 972 479
Upgrading of the internal water reticulation and extension	-	824 904
Thapane water treatment plant and replacement	-	2 156 577
Upgrading of Maapane water reticulation network	-	1 140 514
Borehole development	44 983 159	44 983 159
[State the reasons for delay]		
	94 884 525	**216 041 073**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Buildings (Mopani Office Buildings The municipality abondaned construction of new office building at the Tzaneen Disaster Centre due to termination of service provider (Kgafela Contruction) which subsequently let to Litigation The project was impaired to the carrying value of R1.00 in the 2017/2018 financial period.	1	1
Modjadji Royal Pavilion and extension of fencing The munipality abandoned project due to land dispute between the royal household and the municipality The royal household gave the municipality another site to execute the project other than the initially provided at the beginning of the project. The project was also impaired to the carrying value of R1.00 in the 2017/18 financial period.	1	1
Namakgale Sewer Project The municipality abandoned project due to the fact that the municipality terminated contract with consultant responsible for running the project. The project was also impaired to the carrying value of R1.00 in the 2017/18 financial period.	1	1

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

	2021	2020
	3	**3**

The three projects impaired had a total cost of R54 940 945 in the financial period 2017/2018 when there were impaired.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	1 372 512 054	1 372 512 054
Additions/capital expenditure	552 297 317	552 297 317
Transferred to completed items	(32 780 802)	(32 780 802)
	1 892 028 569	**1 892 028 569**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	1 359 728 881	26 417 900	-	1 386 146 781
Additions/capital expenditure	326 638 029	-	1 280 242	327 918 271
Transfer to completed assets	(69 372 972)	-	-	(69 372 972)
Prior year adjustment	(244 481 886)	(26 417 900)	(1 280 242)	(272 180 028)
	1 372 512 052	**-**	**-**	**1 372 512 052**

Expenditure incurred to repair and maintain property, plant and equipment

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

	2021	2020
Water Infrastructure	302 665 170	195 163 817
Vehicles	5 479 568	4 305 766
Operations maintenance	833 832	1 048 953
	308 978 570	**200 518 536**

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.

4. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 227 542	-	3 227 542	2 500 020	-	2 500 020
Byide Utility	16 220 484	(11 421 878)	4 798 606	15 551 582	(10 053 408)	5 498 174
Total	**19 448 026**	**(11 421 878)**	**8 026 148**	**18 051 602**	**(10 053 408)**	**7 998 194**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 500 020	1 378 892	(651 370)	3 227 542
Blyde Utility	5 498 174	-	(699 568)	4 798 606
	7 998 194	**1 378 892**	**(1 350 938)**	**8 026 148**

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	2 661 771	(161 751)	2 500 020
Blyde Utility	6 177 279	(679 105)	5 498 174
	8 839 050	**(840 856)**	**7 998 194**

Pledged as security

None of the intangible assets has been pledged as security for any liability

Notes to the Annual Financial Statements

Figures in Rand

5. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	432 000	-	432 000	432 000	-	432 000

Reconciliation of heritage assets 2021

	Opening balance	Total
Mayoral Chain	432 000	432 000

Reconciliation of heritage assets 2020

	Opening balance	Total
Mayoral chain	432 000	432 000

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Inventories

Consumable stores	30 342 870	18 440 495
Greater Tzaneen Municipality	54 120	72 683
Greater Letaba Municipality	66 746	46 852
	30 463 736	**18 560 030**

Inventories recognised as an expense during the year	44 216 176	22 759 604

Inventory balance relating to financial period 2020 was restated to R18 560 030. The adjustement was due to weighted average which was incorrectly computed in the previous financial period.

Inventory pledged as security

No inventory was pledged as security in the period under review..

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Receivables from exchange transactions

Staff Debtors	3 186 682	4 454 064
Service Providers	11 547 513	13 430 869
Interest receivable	-	897 080
RBIG Project - Mametja Sekororo	3 278 496	2 204 761
Greater Tzaneen Municipality	7 700	15 400
Ba - Phalaborwa Municipality	472 903 827	301 923 377
VAT Receivables	219 539 311	166 847 080
Eskom - Deposits	9 441 949	7 704 590
Consumer debtors - Water and Sanitation	216 448 337	147 247 164
	936 353 815	**644 724 385**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to their historical information about how they service their municipal accounts.

Trade and other receivables past due but not impaired

Trade and other receivables which are made of National and Provincial government all past due but not considered to be impaired. At 30 June 2021, 35 264 713 (2020: 29 641 299) were past due but not impaired.

Figures in Rand	2021	2020

7. Receivables from exchange transactions (continued)

Consumer debtors

Gross balance		
Water	1 242 222 087	1 145 756 612
Sewer	254 749 423	223 554 727
	1 496 971 510	**1 369 311 339**
Less:Allowance form impairment		
Water	(1 063 746 661)	(1 022 549 124)
Sewer	(216 776 512)	(199 515 052)
	(1 280 523 173)	**(1 222 064 176)**
Net balance		
Water	178 475 427	123 207 488
Sewer	37 972 911	24 039 675
	216 448 338	**147 247 163**
Water		
Current (0 - 30 days)	38 066 198	35 105 121
31 - 60 days	65 109 873	60 045 134
61 - 90 days	192 360 342	177 397 099
91 - 120 days	191 696 751	176 785 126
> 121days	754 988 923	696 424 131
Less provision for impairment	(1 063 746 661)	(1 022 549 124)
	178 475 426	**123 207 487**
Sewer		
Current (0 - 30 days)	6 444 327	5 724 892
31 - 60 days	8 884 760	7 892 879
61 - 90 days	11 568 286	10 276 820
91 - 120 days	61 605 596	54 728 038
> 121days	166 246 453	144 932 099
Less provision for impairment	(216 776 512)	(199 515 051)
	37 972 910	**24 039 677**

As of 30 June 2021, trade and other receivables of 1 461 706 796 (2020: 1 339 670 039) were impaired and provided for.

The amount of the provision was (1 280 523 173) as of 30 June 2021 (2020: (1 222 064 176)).

Residential		
Current (0 - 30 days)	41 217 141	37 707 985
31 - 60 days	17 463 838	15 976 997
61 - 90 days	15 890 496	14 537 607
91 - 120 days	16 131 608	14 758 191
> 121 days	1 245 921 926	1 142 050 452
Less impairment	(1 173 716 162)	(1 120 064 955)
	162 908 847	**104 966 277**
Industrial/Commercial		
Current (0 - 30 days)	7 978 615	7 324 474
31 - 60 days	2 878 348	2 643 370

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
7. Receivables from exchange transactions (continued)		
61 - 90 days	1 602 964	1 467 970
91 - 120 days	1 870 223	1 714 151
121 - 365 days	110 751 640	101 488 844
Less impairment	(106 807 010)	(101 999 221)
	18 274 780	**12 639 588**

	2021	2020
National & Provincial Government		
Current (0 - 30 days)	5 971 521	5 499 483
31 - 60 days	4 843 322	4 460 466
61 - 90 days	4 730 781	4 356 821
91 - 120 days	8 326 621	5 199 828
> 121 days	11 392 470	10 124 700
	35 264 715	**29 641 298**

Reconciliation of provision for impairment of trade and other receivables

	2021	2020
Opening balance	(1 222 064 176)	(1 076 879 867)
Provision for impairment	(58 458 997)	(145 184 309)
	(1 280 523 173)	**(1 222 064 176)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Bank balances	7 253 039	7 850 963
Short-term deposits	22 899 478	208 921 096
	30 152 517	**216 772 059**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB BANK - 62854372093	8 059 207	-	-	9 667 115	-	-
FNB BANK - 62858452205	20 490 148	-	-	20 490 148	-	-
FNB BANK - 62858453568	892 334	-	-	892 331	-	-
ABSA BANK - 40-5277-1364	-	7 850 964	61 309 853	-	7 850 964	61 309 853
ABSA BANK - 40-8091-1671	-	40 684 580	31 108 827	-	40 684 580	31 108 827
ABSA BANK - 40-8091-0832	-	65 090 651	69 217 081	-	65 090 651	69 217 081
Growbus - 40-8937-0832	-	1 973	448	-	1 973	448
ABSA BANK - 93-5597-9404	-	103 143 929	-	-	103 143 929	-
Total	**29 441 689**	**216 772 097**	**161 636 209**	**31 049 594**	**216 772 097**	**161 636 209**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	4 098 169	115 809 743
Rural Transport Grant	1 257 580	967 963
Water Services Infrastructutre Grant	69 583 247	50 632 352
Drought Relief - WISG	6 777 182	6 777 183
Total	**81 716 178**	**174 187 241**

10. Payables from exchange transactions

Other payables	14 444 948	14 570 001
Retentions	99 424 827	81 717 668
Trade Creditors	143 219 581	99 507 478
Leave accrual	46 913 920	45 870 204
Bonus accrual	9 193 718	8 600 018
Agency fees payables	21 068 630	17 105 574
Greater Letaba Municipality	135 247 503	107 329 337
Greater Tzaneen Municipality	291 633 862	278 969 870
Maruleng Municipality	27 922 166	26 994 124
Lepelle Northern Water	306 096 468	549 251 632
Greater Giyani Municipality	23 318 127	20 953 844
Trade creditors at local municipalities	13 487 109	11 406 369
Department of Water and Sanitation	489 930 590	430 924 911
SITA	2 745 496	2 758 111
Eskom Trade payables	8 103 945	3 450 069
Debtors with credit balance	17 915 527	11 916 885
Total	**1 650 666 417**	**1 711 326 095**

Bonus accrual

Municipality employees have structured their salary packgage to include 13th cheque as bonus on the annivesary of their employment date except for employees who were transfered from Health department and Water Department as their bonus is linked to the date they joined the municipality. This arrangement is not applicable to Section 57 employees. In addition to the Bonus Maruleng Local Municipality has however cascaded the performance management system to its employees wherein the staff responsible for water and sanitation has been affected by the arrangement and receive the performance bonus relating to a performance .In addition to Bonus accrual the MDM has included the perfomance bonus awarded by Maruleng Local Municipality

Leave accrual

The municipality grants its employees 21 working days leave per year, except for section 57 employees who are entitled to 24 working days per calender period.This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the annual leave provisions. The leave provision is based on the estimated salaries and is capped at 48 days.

All other payable from exchange transactions included in the note above related to operational creditors, excluding debtors with credit balance which relates to overpaid accounts by debtors.

11. Consumer deposits

Water	3 608 097	4 567 011

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Revenue

Service charges	309 327 655	234 161 066
Agency services	678 611	1 642 968
Interest on Outstanding Debtors	69 484 544	52 554 855
Interest received - Investment	6 479 246	19 298 173
Other income	1 123 611	1 021 352
Government grants & subsidies	1 751 551 494	1 270 621 865
Public contributions and donations	3 798 435	-
Debt Forgiveness	160 942 118	-
	2 303 385 714	**1 579 300 279**

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

Service charges	309 327 655	234 161 066
Agency services	678 611	1 642 968
Interest on Outstanding Debtors	69 484 544	52 554 855
Interest received - Investment	6 479 246	19 298 173
Other Income	1 123 611	1 021 352
	387 093 667	**308 678 414**

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

Transfer revenue		
Government grants & subsidies	1 751 551 494	1 270 621 865
Public contributions and donations	3 798 435	-
Debt Forgiveness *	160 942 118	-
	1 916 292 047	**1 270 621 865**

*The debt forgiveness was granted by Lepelle Northern Water on a historic debt currently amounting to R306 096 468 as disclosed under Note 10, payables from exchange transactions.

13. Service charges

Sale of water	273 986 402	200 413 792
Sewerage and sanitation charges	35 341 253	33 747 274
	309 327 655	**234 161 066**

14. Agency services

Water and Sanitation	678 611	1 642 968

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Interest income

Interest on Outstanding Debtors	69 484 544	52 554 855
Interest received - Investment	6 479 246	19 298 173
	75 963 790	**71 853 028**

16. Other income

Sundry Income	290 698	319 203
Insurance claims	457 405	1 397
Reconnection fees	206 148	425 219
Tender fees	169 360	275 533
Total	**1 123 611**	**1 021 352**

Figures in Rand	2021	2020

17. Government grants and subsidies

Operating grants		
Equitable share grant	1 122 637 963	919 537 000
Disaster relief_Covid 19 relief grant	-	2 384 000
EPWP grant	9 433 000	3 292 000
Finance Management Grant (FMG)	2 700 000	2 330 000
LGW SETA grant	141 428	608 067
Total operating and capital grants	**1 134 912 391**	**928 151 067**

Capital grants		
Municipal infrastructure grant (MIG)	557 232 574	322 880 563
Water Services Infrastructure Grant	22 349 106	18 220 198
Rural Roads Asset Management Grant	967 419	1 370 037
RBIG - Covid 19 relief grant	36 090 004	-
	616 639 103	**342 470 798**
	1 751 551 494	**1 270 621 865**

Municipal Infrastructure Grant

Balance unspent at beginning of year	115 809 743	26 695 309
Current-year receipts	445 521 000	454 295 000
Conditions met - transferred to revenue	(557 232 574)	(322 880 563)
Unapproved rollover from 2019/2020	-	(42 300 003)
Total	**4 098 169**	**115 809 743**

The purpose of this grant is to improve access to basic service infrastructure for poor communities.

Municipal infrastructure grant relating to 2020 has been restated to R115 809 743 due to invoices which were discovered ater year end and were subsequently adjusted.

Finance Management Grant

Current-year receipts	2 700 000	2 330 000
Conditions met - transferred to revenue	(2 700 000)	(2 330 000)
Total	**-**	**-**

Conditions still to be met - remain liabilities (see note 9).

The Finance Management Grant (FMG) is the grant to assist with the appointment of finance interns and also to augment the salay for the Chief Finance Officer and lastly to capacitate the employees to meet minimum competency requirement to work in finance .

Rural Transport Grant

Balance unspent at beginning of year	967 963	-
Current-year receipts	2 225 000	2 338 000
Conditions met - transferred to revenue	(967 419)	(1 370 037)
Unapproved rollover 2020/2021	(967 964)	-
Total	**1 257 580**	**967 963**

The purpose of the grant is to improve data on rural roads to guide infrustructure development.

Extended public works programme grant

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Government grants and subsidies (continued)

Current-year receipts	9 433 000	3 292 000
Conditions met - transferred to revenue	(9 433 000)	(3 292 000)
Total	-	-

The purpose of the grant is to improve opportunities for sustainable employment based on experiential learning attained through the programme.

LGW SETA Grant

Current-year receipts	141 428	608 067
Conditions met - transferred to revenue	(141 428)	(608 067)
	-	-

The purpose of this grant is to support staff skills development at the municipality.

Water Service Infrastructure Grant

Balance unspent at beginning of year	50 632 352	28 852 551
Current-year receipts	45 000 000	40 000 000
Conditions met - transferred to revenue	(22 349 105)	(18 220 199)
Unapproved rollover from 2019/2020	(3 700 000)	-
	69 583 247	**50 632 352**

The purpose of this grant is to support refurbishment of water services infrastructure projects. Due to covid 19 interruuption in operations, grant rollover were finalized in Novemebr 2020 which lead to certain portions of the grants being unapproved.

Drought relief - WSIG

Balance unspent at beginning of year	6 777 183	33 877 183
Unapproved rollover from 2019/2020	-	(27 100 000)
Undefined Difference	(1)	-
	6 777 182	**6 777 183**

The department of water an sanitation allocated the municipality Drought relief grant in the financial period 2018/2019. The municipality could not fully spend the allocation. The grant allocation was not extended to period under review.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

17. Government grants and subsidies (continued)

Disaster relief_Covid 19 relief grant

Current-year receipts	-	2 384 000
Conditions met - transferred to revenue	-	(2 384 000)
	-	-

The municipality received disaster relief grant allocation for COVID 19. The purpose of the grant was to assist the municipality in providing personal protective equipment for municipal employees. The grant was not extended in the financial period under review.

Regional Ifrastructure grant - COVID 19

Current-year receipts	36 000 000	-
Conditions met - transferred to revenue	(36 000 000)	-
	-	-

The municipality received a RBIG grant relating to Covid 19. The purpose of the grant was to assist the municipality in implementing maintenance on bulk infratsurcture in line..

18. Income due to debt forginess

Debt forgiveness from Lepelle Northern Water	160 942 118	-

The debt forgiveness was granted by Lepelle Northern Water on a historic debt currently amounting to R306 096 468 as disclosed under Note 10, payables from exchange transactions

19. Employee related costs

Basic	261 654 365	240 929 017
Bonus	17 974 423	17 952 057
Medical aid - company contributions	14 193 278	12 727 500
UIF	1 504 716	1 371 677
Workman compensation	709 825	886 253
SDL	3 278 747	3 422 162
Other allowances and levies	7 168 529	5 660 012
Leave pay provision charge	3 000 481	-
Post employments benefits	(914 590)	204 478
Defined contribution plans	40 516 393	38 427 836
Overtime payments	63 432 068	70 611 081
Long-service awards	(65 555)	(382 275)
Car allowance	31 098 582	36 879 695
Housing benefits and allowances	5 034 986	5 029 549
Leave redemption/Reversal	11 505 201	9 584 841
Bargaining council	19 881	190 163
Pensionable Allowance	135 366	104 809
Shift allowance	214 386	-
Total	**460 461 082**	**443 598 855**

Figures in Rand	2021	2020

19. Employee related costs (continued)

Remuneration of Municipal Manager

Annual Remuneration	1 015 482	464 272
Car Allowance	328 265	136 777
Other	11 729	16 436
Total	**1 355 476**	**617 485**

The municipality has discovered an overpayment relating to salary paid to the municipal manager in previous financial periods.The overpayment was as a result of paying a salary above the upper limit scale in line with COGTA Regulations. The total value of overpayment was R38 112. The outstanding balance as at year end was R9 056

Remuneration of Chief Finance Officer

Annual Remuneration	549 636	-
Car Allowance	333 736	-
Other	6 662	-
Total	**890 034**	**-**

Council apointed Mr MJ Mogano as Chief finacial officer from 01 November 2020 ,the salary disclosed is for 8 months period, The position was previous occupied by Mr Sekati Mangena on acting capacity until 31 October 2020.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

19. Employee related costs (continued)

Remuneration of Senior Manager Community Services

Annual Remuneration	342 679	1 029 890
Car Allowance	20 000	360 000
Other	3 527	24 174
Total	**366 206**	**1 414 064**

The municipality has discovered an overpayment relating to salary paid to the former Senior Manager Community Services in previous financial periods.The overpayment was as a result of paying a salary above the upper limit scale with COGTA Regulations. The total value of overpayment was R46 321. The outstanding balance as at year end remained at same balance due to none payment

The overpayment amount for Senior Manager Community Services has been restated to R46 321. The amount was previous recorded as R63 253.The error was due to inocrrect calculation on initial debt raised.

Mr Shitlhangu term of contract as Senior Manager Community services ended in July 2020 , the position was occupied by a new director Mrs C Ntimbani.

Remuneration of Senior Manager Corporate Services

Annual Remuneration	1 301 547	1 029 890
Car Allowance	346 364	360 000
Other	14 572	24 174
Total	**1 662 483**	**1 414 064**

The municipality has discovered an overpayment relating to salary paid to the Senior Manager Corporate Services in previous financial periods.The overpayment was as a result of paying a salary above the upper limit scale in line with COGTA Regulations. The total value of overpayment was R109 221. The outstanding balance as at year end was R99 221 .

The overpayment amount for Senior Corporate Services has been restated to R109 221. The amount was previous recorded as R125 227.The error was due to incrrect calculation on initial debt raised.

Remuneration of Senior Manager Planning and Development

Annual Remuneration	1 247 005	1 250 186
Car Allowance	60 000	60 000
Other	11 917	24 186
Total	**1 318 922**	**1 334 372**

The municipality has discovered an overpayment relating to salary paid to the Senior Manager responsible for planning and development department in previous financial periods.The overpayment was as a result of paying a salary above the upper limit scale in line with COGTA Regulations. The total value of overpayment was R35 701. The outstanding balance as at year end was R25 701 .

The overpayment amount for Senior Manager planning and development services has been restated to R35 701. The amount was previous recorded as R51 706.The error was due to incrrect calculation on initial debt raised.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

19. Employee related costs (continued)

Remuneration of Senior Manager Water Services

	2021	2020
Annual Remuneration	1 040 199	1 013 384
Car Allowance	300 000	300 000
Other	11 854	23 739
Total	**1 352 053**	**1 337 123**

The municipality has discovered an overpayment relating to salary paid to the Senior Manager Water Services in previous financial periods.The overpayment was as a result of paying a salary above the upper limit scale in line with COGTA Regulations. The total value of overpayment was R35 701. The outstanding balance as at year end was R25 701

The overpayment amount for the Senior Manager Water Services has been restated to R35 701. The amount was previous recorded as R51 706. The error was due to incrrect calculation on initial debt raised.

Remuneration of Director Engineering Services

	2021	2020
Annual Remuneration	319 474	-
Car Allowance	209 649	-
Other	4 523	-
Total	**533 646**	**-**

The municipality appointed a new Senior Manager for Engineering Services on the 01 February 2021 after the positing was separated from water services. The function was previous performed under water and engineenring services. The remuneration disclosed is for period of 05 months.

Remuneration of Director Office of the Executive Mayor

	2021	2020
Annual Remuneration	-	320 335
Car Allowance	-	75 000
Other	-	6 932
Total	**-**	**402 267**

THe position of director office of the executive mayor has been removed from the organogram, Hence there was no figures disclosed for financial period under review.

20. Remuneration of councillors

	2021	2020
Executive Mayor	934 650	934 650
Speaker	755 878	755 878
Councillors	11 386 843	11 407 377
	13 077 371	**13 097 905**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Remuneration of councillors (continued)

Additional information

Remuneration of councillors 2021	Salary	Cellphone Allowance	Travel Allowance	Advance/Pay back	Total
Councillor PJ Shai	893 850	40 800	-	-	934 650
Councillor NM Maswanganyi	502 790	40 800	167 597	-	711 187
Councillor MC Mohale	502 790	40 800	167 597	-	711 187
Councillor MH Sefufi	502 790	40 800	167 597	-	711 187
Councillor ML Maloko	272 263	40 800	90 754	-	403 817
Councillor WD Sedibeng	715 078	40 800	-	-	755 878
Councillor EJ Mathonsi	280 491	40 800	93 497	-	414 788
Councillor MO Maswanganyi	212 153	40 800	70 718	-	323 671
Councillor ML Mokgobi	272 263	40 800	90 754	-	403 817
Councillor NN Baloyi	101 558	40 800	101 558	-	243 916
Councillor NH Zandamela	26 519	-	-	-	26 519
Councillor NA Sono	67 940	30 600	-	-	98 540
Councillor GH Modjadji	298 468	40 800	99 489	-	438 757
Councillor KJ Malepe	272 263	40 800	90 754	-	403 817
Councillor PT Malatji	272 263	40 800	90 754	-	403 817
Councillor SJ Nkuna	272 263	40 800	90 754	-	403 817
Councillor MA Helm	212 153	40 800	70 718	-	323 671
Councillor CM Ramathoka	212 153	40 800	70 718	-	323 671
Councillor MR Chauke	212 153	40 800	70 718	-	323 671
Councillor JG Mashele	212 153	40 800	70 718	-	323 671
Councillor GA Maluleke	272 263	40 800	90 754	-	403 817
Councillor FM Moroatshehla	272 263	40 800	90 754	-	403 817
Councillor MD Maake	502 790	40 800	167 597	-	711 187
Councillor MC Nkwashu	298 468	40 800	99 489	-	438 757
Councillor MM Makwela	9 547	-	-	-	9 547
Councillor KI Rapatsa	74 529	-	-	6 679	81 208
Councillor D Malemela	5 304	-	-	-	5 304
Councillor CT Shisinga	32 885	-	-	-	32 885
Councillor MM Makwala	18 034	-	-	-	18 034
Councillor SC Makwala	18 034	-	-	-	18 034
Councillor GM Malatji	91 118	40 800	-	-	131 918
Councillor MF Madike	10 440	-	-	-	10 440
Councillor MA Mathaba	101 558	-	-	-	101 558
Councillor MD Popela	10 440	-	-	-	10 440
Councillor R Makasela	90 587	40 800	-	-	131 387
Councillor MMA Mathebula	58 344	-	-	-	58 344
Councillor B Ramotwala	44 554	-	-	-	44 554
Councillor TN Mthombeni	7 830	-	-	-	7 830
Councillor XJ Valoyi	10 440	-	-	-	10 440
Councillor MI Shimangefazi	298 468	40 800	99 489	-	438 757
Councillor TC Zitha	90 587	40 800	-	-	131 387
Councillor T Makhubela	30 477	-	-	-	30 477
Councillor MR Maake	10 440	-	-	-	10 440
Councillor MV Mangoro	10 440	-	-	-	10 440
Councillor M Mathedimosa	10 440	-	-	-	10 440
Councillor TJ Senyolo	10 440	-	-	-	10 440
Kgosigadi MJ Sekgopo	30 480	10 164	-	-	40 644
Kgosi SSS Sekororo	7 620	2 541	-	-	10 161
Kgosigadi MJ Mametja	30 480	10 164	-	-	40 644
Hosi TLP Nwamitwa	30 480	10 164	-	-	40 644
Kgosigadi MA Shayi	30 480	10 164	-	-	40 644
Hosi MAM Haneki	30 480	10 164	-	-	40 644
Hosi MC Mathevula	30 480	10 164	-	-	40 644
Hosi M Ntsanwisi	30 480	10 164	-	-	40 644

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Remuneration of councillors (continued)

Kgosi MB Pheeha	30 480	10 164	-	-	40 644
Councillor I Hlungwana	212 160	40 800	70 718	-	323 678
Councillor MPT Maluleke	212 153	40 800	70 718	-	323 671
Councillor Hosi SM Maluleke	30 480	10 164	-	-	40 644
Councillor RN Sekgobela	10 440	-	-	2 887	13 327
Councillor PP Machete	37 128	-	-	-	37 128
Councillor ML Ramalobela	10 440	-	-	-	10 440
Councillor SP Moshole	10 440	-	-	-	10 440
Councillor MJ Maake	23 338	-	-	-	23 338
Councillor MP Mailula	3 182	-	-	-	3 182
	9 506 295	**1 267 017**	**2 294 214**	**9 566**	**13 077 092**

Remuneration of councillors - 2020	Salary	Cellphone Allowance	Travel Allowance	Advance/ Back pay	Total
Councillor PJ Shai	862 336	40 800	-	31 514	934 650
Councillor NM Maswanganyi	485 064	40 800	161 688	-	687 552
Councillor B Ramothwala	10 072	-	-	369	10 441
Councillor CM Ramathoka	204 672	40 800	68 224	9 973	323 669
Councillor D Malemela	16 973	-	-	-	16 973
Councillor FM Morwasehla	262 664	40 800	87 555	12 798	403 817
Councillor GA Maluleke	262 665	40 800	87 555	12 798	403 818
Councillor GH Modjadji	320 689	40 800	106 895	14 030	482 414
Councillor GM Malatji	87 906	40 800	-	3 212	131 918
Councillor JG Mashele	204 672	40 800	68 224	9 973	323 669
Councillor KI Rapatsa	26 520	-	-	-	26 520
Councillor M Mathedimosa	10 072	-	-	369	10 441
Councillor MA Mathaba	97 978	-	-	8 222	106 200
Councillor MC Mohale	485 064	40 800	161 688	23 635	711 187
Councillor MC Nkwashu	302 042	40 800	100 681	14 030	457 553
Councillor MD Maake	485 064	40 800	161 688	23 635	711 187
Councillor MD Popela	10 072	-	-	369	10 441
Councillor MF Madike	10 072	-	-	369	10 441
Councillor MH Sefusi	485 064	40 800	161 688	23 635	711 187
Councilllor MI Shimangafazi	320 689	40 800	106 896	14 030	482 415
Councillor ML Maloko	262 665	40 800	87 555	15 111	406 131
Councillor Mokgobi	262 665	40 800	87 555	15 111	406 131
Councillor MM Makwala	22 277	-	-	-	22 277
Councillor MMA Mathebula	10 072	-	-	369	10 441
Councillor MR Chauke	204 672	40 800	68 224	9 973	323 669
Councillor MR Maake	10 072	-	-	-	10 072
Councillor SM Maluleke	20 320	6 776	-	-	27 096
Councillor MV Mangoro	10 072	-	-	369	10 441
Councillor NA Sono	87 393	40 800	-	5 507	133 700
Councillor NH Zandamela	24 398	-	-	-	24 398
Councillor NM Mahasha	47 582	25 191	-	7 933	80 706
Councillor NN Baloyi	94 005	40 800	34 265	25 959	195 029
Councillor MO Maswanganyi	204 672	40 800	68 224	9 974	323 670
Kgosi ML Mogoboya	10 160	3 388	-	-	13 548
Kgosi SSS Sekororo	30 480	10 164	-	-	40 644
Kgosigadi MJ Mametja	30 480	10 164	-	-	40 644
Kgosigadi MJ Sekgopo	30 480	10 164	-	-	40 644
Councillor PT Malatji	262 664	40 800	87 555	12 797	403 816
Councillor R Makasela	87 393	40 800	-	10 899	139 092
Councillor RE Pohl	5 304	-	-	-	5 304
Councillor SCT Shisinga	35 006	-	-	-	35 006
Councillor SEJ Mathonsi	270 602	40 800	90 201	13 185	414 788
Councillor SMA Helm	204 672	40 800	68 224	9 973	323 669
Councillor SMM Makwela	25 459	-	-	-	25 459

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Remuneration of councillors (continued)

Councillor SC Makwala	25 459	-	-	-	25 459
Hosi M Ntsanwi	30 480	10 164	-	-	40 644
Kgoasigadi MA Shayi	30 480	10 164	-	-	40 644
Hosi MC Mathevula	30 480	10 164	-	-	40 644
Hosi TLP Nwamitwa	30 480	10 164	-	-	40 644
Councillor SJ Nkuna	262 665	40 800	87 555	12 798	403 818
Councillor KJ Malepe	262 665	40 800	87 555	12 798	403 818
Councillor T Makhubela	10 072	-	-	369	10 441
Councillor TC Zitha	87 393	40 800	-	10 899	139 092
Councillor TJ Senyolo	10 072	-	-	369	10 441
Councillor TN Mthombeni	10 072	-	-	369	10 441
Councillor WD Sedibeng	689 867	40 800	-	25 211	755 878
Councillor XJ Valoyi	10 072	-	-	369	10 441
Hosi Hlaniki	30 480	10 164	-	-	40 644
Councillor I Hlungwana	267 004	40 800	5 893	9 973	323 670
Kgosi Pheeha	30 480	10 164	-	-	40 644
Councillor MPT Maluleke	267 004	40 800	5 893	9 973	323 670
	9 289 140	**1 310 031**	**2 051 481**	**423 249**	**13 073 901**

The municipality has discovered that it had made overpayment relating to remuneration of councillors which resulted in councillors owing the municipality the prtion which was identified as overpayment.The municipality has made a repayment arragement with the affected councillors and its in the process of recovering the overpaid portion.

The below listed councillors have an outstanding balance as at year ended 30 June 202

Councillors' balance owed to the municipality

	2021	2020
Councillor WD Sedibeng	1 000	8 002
Coincollor CN Rakgoale	8 000	8 000
Councillor NM Maswanganyi	12 812	12 812
Councillor MC Mohale	28 077	39 077
Councillor MH Sefufi	84 838	84 838
Councillor ML Maloko	38 670	38 670
Councillor SEJ Mathonsi	215 321	219 821
Councillor MO Maswanganyi	62 256	62 256
Councillor ML Mokgobi	55 060	59 060
Councillor NH Zandamela	728 340	728 340
Councillor NN Baloyi	733 650	733 650
Councillor NA Sono	714 340	728 340
Councillor GH Modjadji	639 368	704 368
Councillor PT Malatji	14 831	14 831
Councillor SJ Nkuna	10 831	14 831
Councillor MA Helm	-	28 966
Councillor MR Nyakane	29 132	29 132
Councillor CM Ramathoka	29 966	29 966
Councillor BT Mathevula	11 999	11 999
Councillor MR Chauke	29 966	29 966
Councillor JG Mashele	6 189	14 831
Councillor GA Maluleke	14 831	14 831
Councillor FM Moroatshehla	2 000	10 832
Councillor MD Maake	-	26 864
Councillor DG Mushwana	29 966	29 966
	3 501 443	**3 684 249**

Figures in Rand	2021	2020

21. Depreciation and amortisation

Property, plant and equipment	202 186 800	191 929 714

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Impairment of assets

Impairments		
Property, plant and equipment	2 744 166	14 165 704

Assessment of PPE conditions was performed in 2020 and impairment loss was identified on boreholes that became dry.These assets are used for the purposes of service delivery to various communities, the review led to the recognition of an impairment loss of R2.7 million in the current year 2020-21 and 2020-19of R14 million in the prior year.Included in the impairment expenditure of R14 million are boreholes in Giyani that were refurbished by Khato Civils and the expenditure incurred was not handed over by Lepelle Northern Water to Mopani District Municipalit]

23. Finance costs

Service concession arrangements	38 144 862	66 119 162

24. Debt impairment

Debt impairment	59 441 650	150 510 781

25. Bulk purchases

Water	184 169 129	188 755 344

Water losses

	Number 2020	Number 2019		
Units purchased	-	-	96 314 861	84 968 012
Unbilled Authorised consumption	-	-	(71 625 238)	(57 778 248)
Units sold	-	-	(8 051 319)	(15 051 520)
Total	-	-	**16 638 304**	**12 138 244**
Percentage Loss:				
Technical losses	- %	- %	67 %	45 %

Water Distribution loss rand value		
Water losses incurred	85 021 730	62 026 428

Water losses occur due to inter alia, leakages the tampering of meters, faulty meters and illigal connections. The problem with tampered meters and illigal connections is an on-going process, which the municipality is attempting to resolve. faulty meters abd leakages are replaced/repairded as soon as they are reported.

26. Contracted services

Presented previously		
Information Technology Services	21 644	3 658
Fleet Services	3 451 490	5 892 142
Security Services	48 220 263	38 012 442
Agency fees	8 078 861	5 315 558
Consultants and Professional Services		
Business and Advisory	124 104	-
	59 896 362	**49 223 800**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. General expenses

Advertising	225 205	13 230
Auditors remuneration	9 121 160	8 808 290
Bank charges	63 320	316 032
Consulting and professional fees	74 542 989	55 892 129
Insurance	1 448 687	1 249 132
Conferences and seminars	151 334	45 467
IT expenses	24 628	-
Levies	4 944 390	5 474 164
Motor vehicle expenses	898 231	201 916
Fuel and oil	13 733 265	13 941 951
Postage and courier	2 972	50
Protective clothing	3 769 425	2 313 854
Software expenses	3 990 282	155 311
Subscriptions and membership fees	276 993	299 863
Telephone and fax	2 656 851	2 805 745
Training	727 441	826 740
Travel - local	17 151 093	13 262 855
Electricity	-	2 604 568
Utilities - Other	227 172	-
Catering services	928 740	884 529
Audit committee remuneration	4 558 674	1 993 799
Community services	264 110	455 432
VIP toilets	108 977 590	65 924 436
Road management system	841 234	1 194 023
Perfomance management system	-	1 095 987
Consumable stores - Water	354 899	2 584 625
Chemicals	440 097	29 426
Other expenses	10 115 631	42 867 310
	260 436 413	**225 240 864**

29. Going concern

We draw attention to the fact that at 30 June 2021, the municipality's total current liabilities exceed its assets by 764 584 500.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality .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.

Realisation of assets

Major assets of the district are liquid and can be realised for market value as and when the need arises. This is positive on the going concern assessment.

Contingent Obligations

The municipality does not have equivalent cash reserves to honour the contigent obligations should they fall due. This has a negative impact on the going concern assessment

Commitments

Commitments are mainly for work in progress projects that have ring fenced funding available for the project lifespan. This is a positive on the going concern assessment.Further to confirm positive assessment of going concern, users are adviced to take cognisance of the motivations below:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Going concern (continued)

a) There is a commitment from National Treasury to fund the operations of the municipality through equitable share and conditional grants. This is substantiated by past practice and gazettes issued by National Treasury for the MTREF period under consideration.

b) There is no change in the legislation that impact on the municipality's ability to continue as a going concern

c) There are plans to ensure that there is effective spending of funds.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to secure funding through national treasury for the ongoing operations of the municipality. Other factors affecting going concern are as follows:-

As at 30 June, the municipality's current liabilities exceed the current assets by R764 584 500 resulting in the municipality being technically insolvent. The fact on its own does not bar the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates.

The following factors if not monitored could undermine the going concern assumptions indicated above they were not properly managed as indicated.

The municipality is experiencing challenges of collecting for revenue relating to water and sanitation. This is due to weakness in controls that are intended to manage of revenue at the local municipalities; the local municipalities are appointed as service providers and the district is the service authoriy.

The obligation to Lepelle Northern Water at R306 096 468 and Department of Water and Sanitation at R489 930 590 contributes as biggest creditiors for the municipality over which there there continue to threaten the going cornen for the entity.

The litigation against the municipality to the value of R400 025 981 provided continuity risk for the district municipality. however management continues to monitor the risk.

Based on the above assessment done, the district municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2021 under going concern assumptions. The municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.t

The municipality continues to manage the mentioned risk individually in order to ensure that there do not pose major threat to going concern.

30. Auditors' remuneration

Fees	9 121 160	8 808 290

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	365 256 879	478 907 964
Total capital commitments		
Already contracted for but not provided for	365 256 879	478 907 964

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

Capital commitment represent future, capital expenditure. The municipality has an obligation to spend these amounts due to signed contracts with suppliers and approval as per Medium-Term Revenue and Expenditure Framework (MTREF). This committed expenditure relates to capital expenditure projects that are in line with municipalities service delivery.

Capital commitment relating to 2020 financial period has been restated by adjusting the figure from R474 51312 to R478 907 964

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. Contingent liabilities

Litigations have been instituted against the municipality relating to a number of disputes. The municipality's lawyers and management treat each case in its merits and does not see likelihood of these cases being successfull. The contingent raised is based on litigation the municipality has instituted against third parties and management has assessed there is high possibility of the litigation working out in their favour.

Pending Legal Cases	**2021**	**2020**
Matter between Flotek pipes and MDM which involves a servie provider who did not honour his obligation to supply of material in terms of cession agreement.		571 957.26
Matter between Anna Magaretha Botha and MDM for the injury she sustained at a MDM sewage manhole in Modjadjiskloof. The matter is before the high court.	R950 000	R950 000
Matter between Mahlare Martin Moswatsi and MDM for damages relating to car accident. Thesummons have been issued.		R27 701
Matter between Esorfranki and MDM for incorrect tender awarding. The matter is before the high court.	R10 284 387	R10 284 387
Matter between Palm Kwekery and MDM for failure to prevent wildfire. The summons have been issued.	R4 685 140	R4 685 140
Matter between Johannes Jacobus Swart/LebP construction/MDM and others. The plaintiff is suing MDM for failure to settle a cession.	R1 680 499	R1 680 499
Matter between Shosholoza A team contractors and MDM. The Plaintiff has issued simple summonses for the services rendered as a Sub Contractor at Nandoni pipeline project.	R939 641	R939 641
Matter between Oryx Pipes and MDM for payment of outstanding invoice on the Nandoni pipeline project.	R2 183 903	R2 183 903
Matter between Maite Nkoane and MDM seeking compensation relating to her car damages. The summons have been issued.	R37 384	R37 384
Matter between DWS and MDM relating to unserviced account for bulk water ubstraction. The summons have been issued.	R176 645 917	R176 645 917
Borehole operators claims for services rendered for the municipality. Full list of operator claims on the register	R14 566 467	R14 566 467
Matter between EMC Consulting and MDM application for settlement of account on work done for the sefofotse and ditshosine/ ramahlatsi bulk water and reticulation.	R29 730 284	R29 730 284
Matter between Kgafela Construction and MDM for termination of contract for the building of Offices in Tzaneen. A counter claim was instituted against Kgafela Construction by the Municipality.	R43 611 996	R43 611 996

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. Contingent liabilities (continued)

Matter between TJ Machete Attorneys and MDM for non-payment of a claim on the basis of a disputed invoice.	R931 521	R931 521
Matter between MN Nengovhela and MDM. Civil non-payment of a claim for work done by the municipality.	R4 500 136	R4 500 136
Matter between Komati Projects cc and MDM. Civil – Cession: claim in the amount of R64 560-00 as a result of cession with Brick"n Motta Construction signed on the sanitation project		R64 500
Matter between KA Moshabela and MDM – Delict / vicarious liability. A letter of demand in the amount of R2m for loss of income, past and future medical expenses and damages.	R2 000 000	R2 000 000
Civil Mater- Matter between Bicacon and MDM on the extension of time claim.	R2 454 395	R2 454 395
Civil matter- Matter between Makgetsi Construction and MDM on the Namakgale Sewage works.	R 4 107 720	R4 107 720
Matter between Dr Mazana and MDM for accident due to road maintenance.	R27 383.53	R27 384
Civil – Cession claim based on a cession, Matter between BD Finance and MDM.	R370 000	R370 000
Matter between Civcon Civils Jv Tainama and MDM for damages and retention	R22 147 291	R22 147 291
Matter between TR Building and MDM for Nkowankowa Sewer Project	R3 262 474	R3 262 474
Matter between SGL Engineering and MDM for Nkowankowa Sewer Project	R2 412 437	R2 412 437
Matter between BMK Electro and MDM for unpaid work done		R4 673 570.27
Matter Between Arena Venus and MDM for VIP Toilets unpaid claim	R348 000	R348 000
Matter between Tsurikom SSS and MDM for termination of contract on the Kampersrus Sewage Plant.	R5 774 485	R5 774 485
Matter between Kwena Mokone and MDM for standing time claim		R7 951 151

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
32. Contingent liabilities (continued)		
Civil claim based on cession between Tainama Jv Civicon on the Tours bulk water supply	R963 647	R963 647
A claim by MN Nengovhela for alleged work done at Senakwe project	R461 664	R461 664
A claim by Siphiwe Engineering and MDM for failing to make payment in respect of service rendered and disbursement incurred up to the completion of stage 3 for design developmenton the Thapane project.	R17 554 634	R17 554634
A claim by Makasela Consulting & Projects and MDM for failing to make payment for completion of designs.	R5 219 666	R5 219 666
A civil matter between Hlimbyi and MDM. Hlimbyi is claiming unpaid invoices relating to escalation costs security contract it had with the municipality..	R2 978 401	R 2 978 401
Sebata has instituted Arbitration proceedings claiming an amount of for alleged work done prior to the termination of contract.	R4 608 397	R4 608 397
Matter between Sebone Traffic Academy and MDM - Non payment of claim	R275 437	R275 437
Matter between Kgatla Family and MDM/Civil Element. The family is suing for damages to property on Thapane water scheme phase 2B.	R515 000	
Matter between Nkuriso and MDM. Mkuriso is claiming damage for services that were rendered and the municipality refuses to settle the account	R1 817 564	
Matter between Nkuriso and MDM. Mkuriso is claiming damage for services that were rendered and the municipality refuses to settle the account	R25 180 676	
Matter between Patoka Trading and MDM.Patoka is suing for damages relating to use of property without permission	R1 663 000	
Matter between CV Chabane and MDM.	R5 120 169	
Matter between VME Projects and MDM. VME projects is claiming for unpaid retention on Sefofofotse Ditsosene BWS (Ramoroka reticulation)	R947 787	

Figures in Rand	2021	2020

32. Contingent liabilities (continued)

Matter between MDM and Conceptual. makasela is claiming financial damage for municipality cancelling an existing contract		R2 712 500
Total contingent liabilities	400 025 981	R381 714 836

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Contingent assets

Contingent assets	2021	2020
MDM is suing Came a Lot for fraudulently claiming funds not due to them. The company was appointed to build 150 units of VIP Toilets.	R1 080 000	R1 080 000
MDM filed a review of appointment against Endecon Unbuntu on the Extension of Modjadji Water Works and the project value on appointment was R2 185 000-00	R2 185 000	R2 185 000
Civil overpayment - MDM has sent a letter of demand for overpayment. MDM has sent a letter of demand for payment.	R629 519	R629 519
The municipality is suing the contractor and the contractor is counter suing MDM for cancellation of same contract. by Kgafela is R43 611 996-70.	R14 140 977	R14 140 977
The municipality is claiming penalties and damages from Tainama Civcon JV	R91 619 051	R91 619 051
Matter bebtween MDM and former employee. The municipality is claiming refund for fraud commited by the employee.	R661 982	
Matter between MDM and Tsurikomi SSV JV. The municipality is claiming refunds for overpayment on Kampersrus sewer phase 2.	R1 373 881	
Matter Between MDM and Modiro Consulting. MDM is claiming recovery of funds as a result of neglegence by the consulting engineer.	R3 503 266	
Total contingent assets	R115 193 676	R109 654 547

Figures in Rand	2021	2020

33. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report
Members of key management	Mr Kgatla Q (Municipal manager)
	Mr Mogano T (Chief financial officer)
	Mr Lebepe G (Corporate services)
	Mr Ntimbani C (Community services)
	Mrs Maboya F (Planning and development)
	Mr Mahanyi M (Engineering services)
	Mr Shilowa P (Water services)

Related party balances

	2021	2020
Amounts included in Trade receivable regarding related parties		
Trade receivables from senior management	249 674	289 674
Trade receivables from councillors	3 501 443	3 684 249

See note for councillors for details breakdown of amount owed by councillors.

	2021	2020
Provision for doubtful debts related to outstanding balances with related parties		
Provision raised for senior management	(189 216)	-
Provision raise for councillors	(793 437)	-

The municipality has raised the provision based on the basis that the debt has been owing for longer than 12 months and there was no repayment from the related party.

The municipality has not gaurantee in relation to the debt raised.

	2021	2020
Compensation to accounting officer and other key management		
Short-term employee benefits	7 478 820	7 272 278

Remuneration of management

Management class: Section 57 Directors

33. Related parties (continued)

2021

Name	Basic salary	Car allowance	Other short-term employee benefits	Total
Kgatla Q (Municipal Manager	1 015 482	328 265	11 729	1 355 476
Mogano T (CFO)	549 636	333 736	6 662	890 034
Lebepe G (Corporate Services)	1 301 547	346 364	14 572	1 662 483
Maboya F (Planning and development)	1 247 005	60 000	11 917	1 318 922
Shilowa P (Water services)	1 040 199	300 000	11 854	1 352 053
Ntimani C (Community services)	342 679	20 000	3 527	366 206
Mahanyi M (Engineering services)	319 474	209 649	4 523	533 646
	5 816 022	**1 598 014**	**64 784**	**7 478 820**

2020

Name	Basic salary	Car allowance	Other short-term employee benefits	Total
Kgatla Q (Municipal Manager)	464 272	136 777	16 436	617 485
Kgatla Q (CFO)	994 472	142 727	17 971	1 155 170
Lebepe G (Corporate services)	1 029 890	360 000	24 174	1 414 064
Maboya F (Planning and Development	1 250 186	60 000	24 186	1 334 372
Shilowa P (Water and engineering services)	1 013 384	300 000	23 739	1 337 123
Shitlhangu D (Community services)	1 029 890	360 000	24 174	1 414 064
	5 782 094	**1 359 504**	**130 680**	**7 272 278**

Mr Kgatla Q was seconded to the position of acting Municipal Manager after the departure of then Municipal Manager Mr Monakedi on the 01 August 2020. This meant the position of CFO was occupied on acting capacity by Mr Mangena S.

Management class: Councillors

Notes to the Annual Financial Statements

Figures in Rand

33. Related parties (continued)

2021

Name	Basic salary	Cellphone allowance	Travel allowance	Advace/Pay back	Total
Councillors	9 506 295	1 267 017	2 294 214	9 845	13 077 371

2020

Name	Basic salary	Cellphone allowance	Travel allowance	Commission, gain or surplus sharing arrangements	Total
Councillors	9 289 140	1 310 031	2 051 481	447 253	13 097 905

Refer to note "Remuneration of councillors for complete list of councillor and their remuniration scale"

34. Employee benefit obligations

Defined benefit plan

Defined benefit plan for the municipality consists of post employment medical aid plan and long service award.In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not morethan two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2021 by ARCH Acturial Consultants
The municipality has no legal obligations to settle this liability with any immediate contributions or additional once off contributions. The municipality intends to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme

a. Post employment medical benefit plan (PEMA)

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

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

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

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.All continuation members and their eligible dependants receive a 60% subsidy.Upon a member's death-in-service or death-in-retirement the surviving dependants will not continue to receive a subsidy.

b. Long service award (LSA)

The municipality provides long-service award to its permanent employees

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

In accordance with the prevailing legislation, the defined benefits funds are acturially valued at intervals of not more than two years.. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2021.

The benefits awarded for long term are calculated as follows

Completed service (In years)	Long services Bonuses (% of annual Earnings)	Description
10 years	04.0%	10/250 x annual earnings
15 years	08.0%	20/250 x annual earnings
20,25,30,35,40,45 years	12.0%	30/250 x annual earnings

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contribution

Post retirement medical aid plan and Long service award

Valuation Method

The projected Unit Credit Funding method has been used to determine the past service liabilities at the valuation date and expense in the year following the valuation date.

Liability of employer

Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date.

Valuation assets

Figures in Rand	2021	2020

34. Employee benefit obligations (continued)

As at the valuation date, the medical aid liabililty and long service award of the Municipality are unfunded. (No dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation

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

	2021	2020
Carrying value		
Present value of the defined benefit obligation - wholly unfunded - PEMA	(50 362 210)	(44 803 350)
Present value of the defined benefit obligation-wholly unfunded - LSA	(26 686 698)	(25 914 606)
	(77 048 908)	**(70 717 956)**

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

	2021	2020
Opening balance	70 717 956	76 478 360
Benefits paid - PEMA	(376 776)	(195 178)
Benefits paid - LSA	(4 826 545)	(4 688 133)
Net expense recognised in the statement of financial performance	11 534 180	(877 093)
	77 048 815	**70 717 956**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	2 048 340	2 497 348
Interest cost	5 061 709	5 013 238
Actuarial (gains) losses	(1 174 412)	(13 528 539)
Current service cost - LSA	1 914 875	1 936 777
Interest cost - LSA	1 661 809	1 895 986
Acturial (gains) Losses - LSA	2 021 859	1 308 097
	11 534 180	**(877 093)**

Calculation of actuarial gains and losses

	2021	2020
Actuarial (gains) losses – Obligation	847 447	(12 020 442)

34. Employee benefit obligations (continued)

Key assumptions used

a. Post employment medical aid plan

In estimating the liability for the post-employment health care benefits a number of assumptions are required. The GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.The key financial and demographic assumptions are summarised below

Financial variables

The most important financial variables used in our valuation are the discount and medical aid inflation rates. We have assumed the following values for these variables

Discount rates used	10,57 %	11,17 %
Helath care cost inflation rate	7,08 %	7,13 %
Expected increase in salaries	3,26 %	3,77 %
Maximum subsidy inflation rate	4,94 %	4,97 %

Demographic Assumptions

Average retirement age	62	62
Continuation of membership at retirement	75%	75%
Proportion with a spouse dependent at retirement	60%	60%
Proportion of eligible in-service non members joining a scheme by retimement	15%	15%
Mortality during retirement	SA 85-90	SA 85-90
Mortality post retimement	PA (90)-1	PA(90)-1

b. **Long service awards**

Key assumptions for long service awards are as follows.

Financial variables

Discount rate used	8.89%	6.89%
General earnings inflation rate.(Long-term	5.74%	3.68%
Net effective discount rate	3.07%	3.10%

The earnings used in the valuation include assumed increase of 4% as per the SALGBC Circular No.: 23/2021. At the time of this report the increase was still under consideration..

Demographic assumption

Assumption	Value
Average retirement age	62
Mortality during employement	SA 85-90

34. Employee benefit obligations (continued)

Withdrawal from service	Age	Female	Male
	20	09%	09%
	30	06%	06%
	40	05%	05%
	50	03%	03%
	55	00%	00%

Membership for Post employment medical aid data

According to the information provided, the number of members entitled to receive post employment medical aid subsidies from the munidipality were

Category	30-06-2021 Valuation	30-06-2020 Valuation
Current (In-service) members	337	286
Continuation members (Pensioners)	12	3

Accrued Contractual Liability

The figures below reflect the total value of the accured contractual liability of the municipality in respect of the municipality in respect of post employement medical aid benefit offered to employees:

Category	30-06-2021 Valuation	30-06-2020 Valuation
Current (In-service) members	45 766 211	43 671 349
Continuation members (Pensioners)	4 596 000	1 132 000
Total	50 362 211	44 803 349+

Category	30-06-2021 Valuation to be used in 30 June Acturial Loss calculation	2022 30-06-2020 Valuation to be used in 30 June 2021 Acturial (Gain) Loss (Gain) calculation
Interest cost	3 982 000	3 863 000
Current service cost	1 678 000	1 474 000
Total	5 660 000	5 337 000

Post employment medical aid assumtion continued

Financial variables

i, Discount rate

A discount rate of 10.57% per annum has been used. The corresponding index-linked yield at this term is 4.25%. 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 2021

ii, Health care inflation rate

34. Employee benefit obligations (continued)

The medical contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period

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 7.08% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.58%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.77% which derives from ((1+10.57%)/(1+7.08%))-1

The expected inflation assumption of 5.58% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.25%) and those of fixed interest bonds (10.57%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+10.57%-0.50%)/(1+4.25%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2021

iii, Replacement Ratio

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

i, Pre-retirement Mortality

SA85-90 ultimate table, adjusted for female live

ii, Post-retirement Mortality

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortaility improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e 1.99% is derived from [1-(1-1%)squared] and so on

iii, Withdrawal from service

If an eligible employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%

34. Employee benefit obligations (continued)

>55	0%	0%

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme at retirement (should they not exit employment before then).

Family Profile

It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

Sensitivity Analysis

a,Sensetivity Analysis for Post Employment Medical Aid

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed rate of health care cost inflation
(ii) A 1% increase and decrease in the discount rate
(iii) A one-year age reduction in the assumed rates of post-employment mortality
(iv) A one-year decrease in the assumed average retirement age
(v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculates the liability using the assumptions as below. Figures are in Millions

Assumption	Change	In-service memebers	Continuation members	Total	% Change
Central assumption		33.245	4.596	37.841	
Health care inflation	1%	36.248	4.978	41.226	09%
	-1%	29.758	4.225	33.983	-10%
Discount rate	1%	28.896	4.194	33.090	-13%
	-1%	38.593	5.070	43.663	15%
Post retirement mortality	1 yr	32.290	4.464	36.754	-03%
	-1 yr	34.190	4.727	38.917	03%
Average retirement age	-1 year	36.361	4.596	40.957	08%
Continuation of members at retirement	10%	24.809	4.596	233.405	-12%

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 09% higher than that shown

The sensitivity analysis on current-service and interest cost for the year ending 30 June 2021

34. Employee benefit obligations (continued)

Assumption	Change	Current Svc Cost	Interest Cost	Total	% Change
Central assumptions		1 678 000	3 982 000	5 660 000	
Health care inflation rate	1%	1 843 000	4 340 00	6 183 000	09%
	-1%	1 463 000	3 574 000	5 037 000	-11%
Discount rate	1%	1 405 000	3 809 000	5 214 000	-08%
	-1%	2 021 000	4 162 000	6 183 000	09%
Post-employment mortality	1 year	1 631 000	3 867 000	5 498 000	-03%
	-1 year	1 75 0000	4 096 000	5 816 000	03%
Average retirement age	-1 year	1 818 000	4 311 000	6 129 000	08%
Continuation of members at retirement	-10%	1 451 000	3 512 000	4 964 000	-12%

b,Sensitivity analysis for long service awards

The liability at the valuation date was recalculated to show the effect of :

(i) A 1% increase and decrease in the assumed general earnings inflation rate;

(ii) A 1% increase and decrease in the discount rate;

(iii) A two-year increase and decrease in the assumed average retirement age of eligible employees; and

(iv) A two-fold increase and 50% increase in the assumed rates of withdrawal from services

Sensetivity analysis on the unfunded liability

The figures in the table below are in Rmillion.

Assumption	Change	Liability	% Change
Central assumptions		22 834	
General earnings inflation	1%	24 031	5%
	-1%	21 735	-5%
Discount rate	1%	21 687	-5%
	-1%	24 105	6%
Average retirement age	2 years	26 114	14%
	(2 year)	18 689	-18%
Withdrawals	x2	19 341	-15%
	x0.5	25 149	10%

Sensitivity analysis on current service and interest costs for the year ending 30 June 2021

Assumption	Change	Current Svc Cost	Interest Cost	Total	% Change

34. Employee benefit obligations (continued)

Central assumptions		1 630 000	1 452 000	3 082 000	
General earnings inflation	1%	1 756 000	1 535 000	3 291 000	07
	-1%	1 521 000	1 376 000	2 897 000	-06%
Discount rate	1%	1 532 000	1 575 000	3 104 000	01%
	-1%	1 745 000	1 317 000	3 062 000	-01%
Average retirement age	2 years	1 800 000	1 677 000	3 477 000	13%
	(2 year)	1 418 000	1 185 000	2 603 000	-16%
Withdrawal rates	x2.0	1 240 000	1 214 000	2 454 000	-20%
	x0.5	1 911 000	1 610 000	3 521 000	14%

Key Assumptions for Long service award

Financial variable

i, Discount Rate

A discount rate of 6.89% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 6.89% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.61%.These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021

The liability-weighted average term of the total liability is 5.65 years

ii, Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions

iii, General Earnings Inflation

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 inflation assumption of 4.74% was obtained from the differential between market yields on index-linked bonds (3.57%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.98%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.98%-0.50%)/(1+3.57%))-1

Thus, a general earnings inflation rate of 3.57% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.07%

Impact of COVID - 19

The actuary was not able to estimate the impact the pandemic is likely to have on the Municipalities liability at the stage of the report. There is much uncertainity as to how it will affect mortality, and whether (and) when a treatment or vaccine will become available. If the return to economic normalcy is extended then the municipality's experience regarding resignations and retrenchments may also be affected.

34. Employee benefit obligations (continued)

30 June 2020 long term goverment bonds yields (which drive the main figures in this report) increased dramatically since the early stages of the pandemic. This pushes up the net discount rate which in turns reduces the liability. it is impossible to say how long lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

has been assumed that the next earnings increase will take place on 1 July 2021

Demographic assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

i, Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 3.68% per annum for all employees

Age band	Additional promotional scale
20 - 24	5.0%
25 - 29	4.0%
30 - 34	3.0%
35 - 39	2.0%
40 - 44	1.0%
> 44	0.0%

ii, Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.Employees who have passed the assumed average retirement age have been assumed to retire at their next birthday.

iii, Pre-retirement Mortality

SA85-90 ultimate table, adjusted down for female lives

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
>55	0%	0%

Additional disclosure on the acturial valuation report and methdology.

The acturial valuation for Mopani employeers that are stationed at local municipality was performed by different actuaries.The actuaries at the respective locals relied on the information as per the submission from the area of submision. The methodology used for PEMA is similar acrosss the board. methology used for long term service differs per local municipality

The number of employees stationed at locals is too insginificant in comparisson to the employees at MDM to can have a negative influence on the total value of liability.

34. Employee benefit obligations (continued)

Other assumptions

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

	2021	2020	2019	2018	2017
Defined benefit obligation - PEMA	67 246 881	54 048 148	51 016 481	44 803 350	50 362 210
Defined benefit obligation - LSA	26 686 376	25 914 603	25 461 879	25 050 724	16 882 600

Estimated Future liability for PEMA ad LSA	30 June 2022 PEMA	30 June 2023 PEMA	30 June 2021 LSA	30 June 2023 LSA
Opening Balance	49 272 211	51 171 000	32 234 476	32 861 000
290	2 287 852	2 155 000	2 726 865	2 906 000
Interest	5 208 010	5 357 000	2 737 755	2 782 000
Benefits	(562 000)	(586 000)	(4 064 516)	(4 641 000)
	56 206 073	**58 097 000**	**33 634 580**	**33 908 000**

35. Events after the reporting date

The Municipality have not recorded the events after the reporting period which is either adjusting or non-adjusting events after the reporting date although there disclosure of this nature is very important in any case

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Finance lease obligation

Minimum lease payments due		
- within one year	26 341 959	31 983 864
- in second to fifth year inclusive	-	20 558 982
	26 341 959	52 542 846
less: future finance charges	(754 059)	(3 232 589)
Present value of minimum lease payments	**25 587 900**	**49 310 257**

Present value of minimum lease payments due		
- within one year	25 587 901	29 373 381
- in second to fifth year inclusive	-	19 936 330
	25 587 901	**49 309 711**

Non-current liabilities	-	19 936 330
Current liabilities	25 587 901	29 373 381
	25 587 901	**49 309 711**

Finance lease photo copy machines

The average lease term was 3 years and the average effective borrowing rate is 13% (2020: 13%).

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on paper usage.

Finance lease on vehicles

The municipality has entered into aa instalment sale agreement with Betrobrite to provide fleet solution for the municipality. The lease is effective for 36 months. Upon conclusion of the lease agreement, Mopani District Municipality will resume the ownership of the vehicles. The nature of the agreement is instalment sale agreement.

The average lease term is 3 years and the average effective borrowing rate is 9.5% per annum

Interest rates are fixed at the contract date. All leases have fixed repayments.

Contingent rents	603 959	613 511

37. Landfill site Provision

Opening balance	3 139 785	5 333 883
Change in landfill	2 400 213	(2 617 805)
Finance cost	232 680	423 707
	5 772 678	**3 139 785**

Landfill site provision

The municipality has a landfill site that is located in Maruleng Municipality. Professional assessment was performed on the the cost that will be incurred in order to rehabilitate the land after its use. The provision for landfill was based on the assessment performed as at 30 June 2021.

Professional assessment for rehabilitation of the land was perfomed by Environmental and Sustainability Solution CC.

Figures in Rand	2021	2020

37. Landfill site Provision (continued)

Provision has been made for this cost based on the estimated present value of future cash flow arising from the landfill cost expected as at 30 June 2021, the discount rate used for present value calculation was based on average CPI of 4.82%, a discount rate of 8.82% and net effective discount rate of 4.00%

Landill provision for financial period 2020 has been restated from R12 510 196 to R3 139 785 due to change in estimate from 11 years to 40 years.

38. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	804 182 958	612 987 704
Opening balance as restated	**804 182 958**	**612 987 704**
Add: Expenditure identified - current	80 584 359	191 195 254
Closing balance	**884 767 317**	**804 182 958**

39. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	359 244 383	296 474 243
Opening balance as restated	**359 244 383**	**296 474 243**
Add: Expenditure identified - current	43 709 506	62 770 140
Closing balance	**402 953 889**	**359 244 383**

40. Irregular expenditure

	2021	2020
Opening balance as previously reported	1 161 276 023	890 980 851
Opening balance as restated	**1 161 276 023**	**890 980 851**
Add: Irregular Expenditure - current	300 278 005	270 295 172
Closing balance	**1 461 554 028**	**1 161 276 023**

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2021	2020
Current year subscription / fee	3 981 912	4 358 308
Amount paid - current year	(3 981 912)	(3 981 912)
	-	**376 396**

Audit fees

	2021	2020
Current year subscription / fee	10 419 881	8 584 323

PAYE and UIF

	2021	2020
Current year subscription / fee	74 746 280	76 277 694
Amount paid - current year	(74 746 280)	(76 277 694)
	-	-

Pension and Medical Aid Deductions

	2021	2020
Current year subscription / fee	71 419 200	66 074 418
Amount paid - current year	(71 419 200)	(66 074 418)
	-	-

42. Deviation from supply chain management regulations

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

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

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the period amounted to R33 009 103 (2020: R23 905 845) which has been tabled to council for noting in terms of Section 36(2). Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements Major deviations related to emergency procurement of water related services since water is an essential service (water supply).

Due to Covid 19 disaster the municipality incurred costs relating to sourcing of water using water tankers on emergency basis and Protective equipment for employees.

43. Multi-employer plan

The municipality makes provision for post-retirement benefits to eligible councilors and employees who belong to

different pension schemes

All councilors belong to the pension fund for municipal councilors

Employees belong to a variety of approved Pension funds and provident funds as described below

All of these afore-mentioned funds are multi-employer plans and are subjected to either a tri-annual, bi-annual or annual actuarial valuations, details which are provided below

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each funds are held in one portfolio and are not notionally allocated to each of participating employer

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each

participating employer

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the

membership distribution of the participating employers

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer..

The only obligation of the municipality with respect to the retirement benefits plans is to make the specified contributions. Where councilors /employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions

The total expense recognized in the statement of Financial position of R40 516 393 (2020 : R38 427 836) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions are have been expensed.

The retirement fund have been valued by making use of the discounted cash flow method of valuation.

Defined Benefit Schemes - Valuation outcome

Municipal Employee Pension Fund:

43. Multi-employer plan (continued)

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest acturial valuation report in order to determine impact on future contibution relating this scheme.We are unable to assess perfomance of the scheme

Defined Contribution Schemes

Municipal Council pension fund

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest acturial valuation report in order to determine impact on future contibution relating this scheme.We are unable to assess perfomance of the scheme

Municipal Employees Gratuity Fund

The scheme is subject to a tri-annual actuarial valuation. We could not obtain the latest acturial valuation report in order to determine impact on future contibution relating this scheme.We are unable to assess perfomance of the scheme

National Fund for Municipal Workers

The Scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as of 30 June 2019

The scheme`s assets amounted to R 18 837 952 924 (2018: R 17 487 922 631) at 30 June 2019.

The actuarial valuation performed on 30 June 2019 confirmed that the fund was financially sound at funding ratio of 100,40%.

The monthly deductions for cost were sufficient to cover the expenses incurred over the valuation period. The Trustees, with the support of the Valuator, must continue to monitor the position on an annual basis. We could not obtain the latest acturial valuation report to confirm the status of the scheme as at financial period 2021.

Goverment Employee Pension Fund

The scheme is subject to an actuarial valuation at least once in every 3 years

The scheme's assets amounted to R1 649 365 263 000 (2019: R1 859 049 045 000) as of 31 March 2020.

The scheme is subject an actuarial valuation to at least once in 3 years.

The results of the March 2020 actuarial valuation show that the Fund is 108.3% funded, The Funding policy requires that the Board of Trustees ensure that the funding level of liabilities is above 90%.

This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient to ensure that the Fund is able to always meet its obligations, subject to a funding level of liabilities of at least 90%.t

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Cash generated from operations

Surplus	712 918 363	45 199 221
Adjustments for:		
Depreciation and amortisation	204 986 570	207 176 969
Contribution to bad debt provision	58 372 139	145 184 310
None cash donation received	(3 798 435)	-
Movement in landfill site	2 632 892	(2 194 098)
Movement in post employement obligation	6 330 952	(5 760 404)
Finance costs	3 038 119	4 857 299
Changes in working capital:		
Inventories	(11 903 706)	(1 056 288)
Receivables from exchange transactions	(297 309 338)	(136 869 065)
Consumer deposits	(958 914)	(203 686)
Payables from exchange transactions	(78 366 838)	166 549 430
VAT	42 129 325	(35 540 379)
Unspent conditional grants and receipts	(92 471 063)	84 762 198
	545 600 066	**472 105 507**

45. Accounting by principals and agents

Mopani District Municipality is a party to a principal-agent arrangement(s).

Details of the arrangment(s) are as follows:Details of the arrangment(s) are as follows:

The municipality was appointed as an agent for implementing Regional Bulk Infrastructure Grant Scheme on behalf of Department of Water and Sanitation. The projects are for the benefit in kind of the water service authority. The duration of the agreement is 01 July 2018 to 30 June 2021. In terms of the agreement , Department of Water and Sanitation reimburses Mopani District Municipality for all expenses incurred on its behalf for the RBIG project.

Mopani District Municipality is entitled to an agency fees of 5%, which are disclosed in other income. Refer to other income note .

45. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The are no other resources held on behalf of the Department of Water and Sanitation.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 678 611 (2020: 1 642 968).

Liabilities and corresponding rights of reimbursement recognised as assets

There are no liabilities that have been incurred on behalf of the principal.

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of receivables

	2021	2020
Amounts paid to contractors on behalf of the principal		
Amounts paid to contractors	15 967 327	33 551 873
Amounts received from principal	(15 691 956)	(33 551 873)
	275 371	**-**

	2021	2020
Total receivables or payable		
Opening balance	2 204 822	2 712 928
Agency fees raised	798 366	1 677 594
Agency fees payments received	-	(2 185 700)
Payment made to contractors on behalf of the principal (Outstanding refund owed by DWS)	275 371	-
	3 278 559	**2 204 822**

The outstanding amount is expected to be settled within 12 months. There are no other resources helf on behalf of the department of water and sanitation. Irregular, fruitless and wasteful expenditure incurred due to Mopani municipality's gross negligence and not condoned by Mopani municipality's council is recoverable by the principal. There are no other benefits in the relationship (except that of commission received)

Mopani municipality assumes the risk of managing the contractors and indeminifies the principal against any claims made by the contractor. In terms of the agreement, the agent is liable to reimburse the principal, where the principal is not satisfied with the performance of the contractor. To mitigate this risk, projects are executed in line with approved project implementation plan. Furthermore, the contractor's performance is monitores throughout the contract and a retention is held at the end of the contract which is inly paid after 12 months of completion of work, provided the work has no defects.

Mopani municipality does not have the power to determine significant terms and conditions of the project because all projects are implemented acording to the project implementation plan which is approved by the principal. The assets belong to the principal and the agent has no right to benefit from them unless they are transferred to agent. Variations in the contract amounts are approved by the principal and paid by the principal.

	2021	2020
All categories		
Opening balance	2 204 822	2 712 928
Reimbursement that principal is entitled to	16 765 693	35 229 467
Refunds from DWS	(15 691 956)	(35 737 573)
	3 278 559	**2 204 822**

45. Accounting by principals and agents (continued)

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Mopani District Municipality as a water service authority, has delegated the responsibility of water distribution and rendering of sanitation services to the local municipalities within the district , namely: Greater Tzaneen Municipality, Greater Letaba Municipality, Maruleng Municipality, Ba - Phalaborwa Municipality and Greater Giyani Municipality.

In terms of the agreement, the five local municipalities are to sell water to the consumers on behalf of MDM

As the principal agent MDM is liable for agency fees to each local municipality as disclosed in note 11. All cash collections by the locals are payable to MDM, and all water related expenses are to be reimbursed by MDM. The nature of expenses paid by the locals on behaf of MDM, includes inter alia, bulk purchases,salaries of employees in the water department, contracted services, repairs and maintenance of water related infrustructure, this expenses are disclosed under the respective financial statements line item.

The hasnt been cash payments/receipts between the principal and agents and all amounts owed to/by the local municipalities are netted off and disclosed inthe inter-municipal loan accounts.The amount payable or receivable are disclosed under Receivables from exchange transaction note 7 above or Payables from exchange transactions note 11.based on history, it is not expected that amounts owed by/to the locals will be settled in cash, however the monies owed by/to the locals will be settled through cash collections withheld by the locals and expenses paid on behalf of MDM

The locals are in full control of the billing system and apply their credit control policies in managing MDM's consumer debtors.

There were no changes to any significant terms and conditions of this agreement during the current reporting period.

MDM is entitled to all income and is liable for all expenses relating to water transactions at the local municipalities. The risk of non-payment by the customer, and variations due to increase/decrease in selling prices of water and sanitation services are borne by MDM.

Benefits & Risks

Non-payment risks of amounts receivable from the local municipalities is considered to be significant.However, as an alternative recovery method, the local municipalities are required to incur expenses relating to water related activities and for reimbursement by MDM. These costs are not reimbursed directly by MDM, but netted off against amounts receivable from the local municipalities.

Claims from Greater Tzaneen Municipality are limited to R30 000 000 per annum, any excess amount is recognised as part of other income.

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Fee paid

The are fees paid to the agents, however al agency fees owed to the agents were raised as a payable under payables from exchange transactions.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:
We noted that provision for bad debts was not calculated for some of the debtors, furthermore certain journals and transactions were processed to VAT and there

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Inventories	3	14 324 723	4 235 307	18 560 030
Receivable from exchange transactions	4	524 001 015	120 723 370	644 724 385
Cash and cash equivalents	3	216 772 059	-	216 772 059
Property, plant and equipment		5 750 292 797	10 107 899	5 760 400 696
Intangible assets	6	7 963 130	1 322 131	9 285 261
Heritage Assets	7	432 000	-	432 000
Finance lease obligation (Short term)		(29 373 381)	-	(29 373 381)
Payables from exchange transactions		(1 693 364 547)	(17 961 547)	(1 711 326 094)
Consumer deposits		(4 567 011)	-	(4 567 011)
Unspent conditional grants		(174 188 026)	785	(174 187 241)
Provision for landfill site		(12 510 196)	9 370 411	(3 139 785)
Employee cost related provisions		(70 717 956)	-	(70 717 956)
Finance lease liability (Long term)		(19 936 330)	-	(19 936 330)
		4 509 128 277	**127 798 356**	**4 636 926 633**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Service charges		(254 636 679)	20 475 613	(234 161 066)
Interest on overdue acount		(52 554 855)	-	(52 554 855)
Other income		(1 021 352)	-	(1 021 352)
Interest received - Investments		(19 298 173)	-	(19 298 173)
Agency Fees		(1 642 968)	-	(1 642 968)
Goverment grants and subsidies		(1 276 363 002)	5 741 136	(1 270 621 866)
Acturial Gains/losses		(12 220 441)	-	(12 220 441)
Employee related costs		443 598 855	-	443 598 855
Remuneration of councillors		13 097 905	-	13 097 905
Depreciation and amortisation		191 929 714	-	191 929 714
Impairment loss/Reversal of impairments		14 165 704	-	14 165 704
Finance cost		66 797 509	(678 347)	66 119 162
Debt impairment		177 400 121	(26 889 340)	150 510 781
Bulk purchases		187 486 441	1 268 904	188 755 345
Contracted services		49 223 800	-	49 223 800
Transfers and subsidies		2 415 339	-	2 415 339
Repairs and maintenance		200 671 177	(152 642)	200 518 535
General expenditure		239 747 641	(14 506 778)	225 240 863
Loss on disposal of assets		745 497	-	745 497
Surplus for the year		**(30 457 767)**	**(14 741 454)**	**(45 199 221)**

46. Prior-year adjustments (continued)

Cash flow statement

2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Service charges		367 087	-	367 087
Grants		1 355 384 064	-	1 355 384 064
Interest Income		19 508 932	-	19 508 932
Other receipts		1 126 673	47 882	1 174 555
VAT refund		107 716 966	-	107 716 966
Employee costs		(455 981 978)	316 407	(455 665 571)
Suppliers		(499 874 720)	464 640	(499 410 080)
Finance costs		(53 928 932)	(3 041 513)	(56 970 445)
		474 318 092	**(2 212 584)**	**472 105 508**
Cash flow from investing activities				
Purchase of property, plant and equipment		(389 247 148)	3 124 668	(386 122 480)
Purchases of intangible assets		(2 875 000)	(912 088)	(3 787 088)
		(392 122 148)	**2 212 580**	**(389 909 568)**
Cash flow from financing activities				
Finance lease payments		(27 060 088)	-	(27 060 088)

Reconciliation in accumulated surplus

Adjustment affecting the statement of position		
Increase in inventories	-	4 235 307
Increase in receivables from exchange transactions	-	120 723 370
Decrease in property, plant and equipment	-	10 107 899
Increase in Intangible assets	-	1 322 131
Increase in payables from exchange transactions	-	(17 961 547)
Decrease in unspent conditional grants	-	785
Decrease in provision for landfill site	-	9 370 411
	-	**127 798 356**
Adjustment affecting the statement of financial performance		
Decrease in service charge	-	20 475 613
Decrease in goverment grants	-	5 741 136
Decrease in finance costs	-	(678 347)
Decrease in debt impairment	-	(26 889 340)
Increase in bulk purchases	-	1 268 904
Increase in repairs and maintenance	-	(152 642)
Decrease in general expenses	-	(14 506 778)
	-	**(14 741 454)**

Figures in Rand	2021	2020

46. Prior-year adjustments (continued)

	2021	2020
Accumulated surplus		
Balance as previously reported	-	(4 478 670 505)
Receivables from exchange transactions	-	(87 345 527)
Provision for landfill	-	(8 539 422)
Unspent grant	-	(5 741 921)
Property, plant and equipment	-	(11 430 029)
	-	**(4 591 727 404)**

We noted that receivables were mistated due to incorrect journals posted to VAT receivables and ommission of debt impairment. The error was corrected as follows: Receivables (dr) R110 298 051, Trade payables (Cr) R18 768 894, General expenses (Cr) R9 002 568,; Debt impairment (dr) R1 712 294 and accumulated surplu (cr) R84 238 883

We noted that completed assets were not capitalised resulting in understated of assets . The error was corrected as follows accumulated surplus (cr) R11 430 029; Intangible assets (dr) R1 322 131; PPE (dr) R10 107 899.

We noted that invoices received after year end were incorrectly recognised as grant revenue in the 2020 financial period. The error was corrected as follow: Grants and subsidies (dr) R5 741 136, Unspent goverment grant (dr) R785 and accumulated surplus (cr) R5 741 921

We noted inventory valuation was incorrect and bulk purchases was understated. The errors were corrected as follows. bulk purchases (dr) R1268904, Payables (cr) R1 268 904, General expenses (cr) R5 504 211 and Inventory (dr) R4 235 307

We identified errors between intermunicipal accounts of MDM and Local municipalities. The errors were corrected as follows. accumulated surplus (cr) R3 106 645, Trade payables (dr) R807 347, Trade receivables (dr) R10 425 319, Debt impairment (cr) R28 601 634 and service charges (dr) R20 475 613

We identified understatement on the estimation for lanfill. landfill provision was incorrectly calculated in the prior period. The error was corrected as follows: Provision for landfill (dr) R9 370 411, Finance costs (cr) R678 347, Repairs and maintenance (cr) R152 642 and (cr) R8 539 422.

47. Risk management

Financial risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to insure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policies.

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.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1 650 666 417	-	-	-
Finance lease liability	25 587 901	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	1 711 326 095	-	-	-
Finance lease liability	29 373 381	19 936 330	-	-

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49. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% will be explained on the statement of financial performance to the final annual financial statements for the year ended 30 June 2021

X01: The excess of actual revenue over the final budget of 65%. The variance is difficult to predict as it relies on consumptions of services. The municipality billed more than what was expected as a result of higher usage by residents.

X02:The excess of actual expenditure over the final budget of of 10% (100% over the approved budget), The varience is difficult to predict as it relies on consumption of services, the municipality billed morethan what was expected as a rusult of higher usage by residence.

X03:The muniicpality has not budget for agency fees in the financial period under review..

X04: The excess of of actual expenditure over the final budget of 10% (100% over approved budget) for interest on outstanding debtors was due to increased usage and billing on water and sewer; yet the collection for revenue remained lower.

X05:The shortfall of actual interest from investments against the final budget of -51%. The municipality moved bankers from ABSA to FNB who do not offer favourable interest rates. Also there was reduced funds at the municipality's disposal available for investment through the year.

X06:The shortfall of of actual income over the final budget of 10% (100% under approved budget); the variance is difficult to predict as the municipality accounts for items like sales of tender documents, OHS fees and sundry activities

X07: The excess of actual expenditure over the final budget of of 10% (154% over the approved budget); The municipality was granted additional funding to address COVID 19 disaster on service deliver projects.,

X08:The muniicpality has not budget for debt forgiven variance by Lepelle as it could not anticipate the amount been written off by the creditor

X09:The excess of actual expenditure over the final budget of 13%. This was driven by increased overtime levels which were not foreseen at the time of preparation of the budget

X10:The excess of actual expenditure over the final budget of 11%. There was more completed assets in the year under review than what was initially anticipated at the time the budget was proposed.

X11:The remuneration of councillor is below 10%..

X12:The muniicpality has not budget for impairment of work in progress as the line item is a none cash item

X13:The shortfall of actual expenditure against the final budget over 100%. The shortfall is mainly due to higher interest cagrged by Lepelle and DWS on their account..

X14:The shortfall of actual expenditure against the final budget of 11%. The variance of mainly due to growing list of under collection of revenuw. This lead to more impairment than it was anticipated.

X15:The shortfall of actual expenditure against the final budget of 28%. The variance is difficult to predict as it relies on consumption of services. The municipality cut back on its purchases in line with the reduced demand for water by the residents.

X16:The excess of actual expenditure over the final budget of 18%. The variance is difficult to predict as it is driven by services delivery needs. The municipality increased its costs to address the increased demand on the municipality's infrastructure.

X17:The shortfall of actual expenditure against the final budget of -44%. This was a result of a cost cutting initiative and optimisation of services by the municipality implemented after the budget was tabled.

X18: Actual expenditure for general expenditure is below 10%

49. Budget differences (continued)

X19:The muniicpality has not budget for acturial gains and losses as the line item is a none cash item