



**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
(DEMARCATIION CODE: DC45)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
(DEMARCATIION CODE:DC45)  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## General Information

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<b>Legal form of entity</b>	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998)
<b>Nature of business and principal activities</b>	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
<b>Jurisdiction</b>	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality. Demarcation code - DC45 John Gaetsewe
<b>Mayoral committee</b>	
Executive Mayor	Mosikatsi S.
Executive Councillors	Monaki O.G. Masilabele K.F. Assegai G.C. Mogatle P.Q Anthony T.G
Councillors	Paul K. Booyesen A. Du Plesis H. Gomolemo N. Gwai L.B. Kaebis L. Kaotsane G. Kgopodithata O.H. Moagi L. Makwati K.R. Matebese I. Mathibe O.D. Molwagae T.F. Ohentswe P.J. Setlhodi K.S.
<b>Grading of local authority</b>	3
<b>Speaker</b>	Mogatle P.Q.
<b>Accounting officer</b>	Molaole D.H.
<b>Chief financial officer</b>	G.P. Moroane
<b>Registered office</b>	P.O. Box 1480 Kuruman 8460
<b>Business address</b>	4 Federale Mynbou Street Kuruman 8460
<b>Primary bankers</b>	The Standard Bank of South Africa Limited

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

(DEMARCATIION CODE:DC45)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## General Information

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**Auditors**

Auditor-General of South Africa

**Attorneys**

Koikanyang Incorporated

Neville Cloete Attorneys Incorporated

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
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## **Accounting Officer's Responsibilities and Approval**

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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 entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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 entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, he 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity 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 entity'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 entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is wholly dependent on the Government for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting officer is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

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

The annual financial statements 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:

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**D.H. Molaole**  
Municipal Manager

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
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## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2021.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year, 6 meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
R. Tshimomola (Chairperson)	4
F. Buys	2
M. Mashati	3

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as per its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## **Accounting Officer's Report**

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

### **1. Review of activities**

#### **Main business and operations**

John Taolo Gaetsewe District Municipality is a district municipality performing the functions as set out in the constitution (act no 105 of 1996) 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 and do not in our opinion require any further comment.

### **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 entity to continue as a going concern is dependent on a number of factors. The most significant of these is the ability of the accounting officer to continue procuring funding for the ongoing operations of the entity.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of 30 June 2021.

### **4. Municipal Manager's interest in contracts**

The Municipal Manager did not have an interest in any of the contracts entered into during the current financial year.

### **5. Accounting policies**

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board and as per the prescribed framework by National Treasury.

### **6. Non-current assets**

No major changes in the nature or the policy relating to the use of the non-current assets of the Municipality occurred during the year.

### **7. Accounting Officer**

The accounting officer of the entity during the year and to the date of this report is as follows:  
D.H. Molaole South Africa

### **8. Bankers**

Accounts were held with The Standard Bank of South Africa Limited (being the primary bankers), as well as investment accounts with First National Bank (a division of First Rand Bank Limited), and Nedbank during the year.

### **9. Auditors**

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

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	12 091 027	8 744 136
Receivables from exchange transactions	4	7 958 297	8 846 739
Receivables from non-exchange transactions	5	94 055	94 055
Inventories	6	9 314 911	8 784 360
Statutory receivables	7	1 116 191	287 795
		<b>30 574 481</b>	<b>26 757 085</b>
<b>Non-Current Assets</b>			
Biological assets	8	5 264 916	2 780 990
Investment property	9	6 580 000	6 570 000
Property, plant and equipment	10	78 637 238	77 956 764
Intangible assets	11	1 595 399	2 224 670
Heritage assets	12	19 750	19 750
		<b>92 097 303</b>	<b>89 552 174</b>
<b>Total Assets</b>		<b>122 671 784</b>	<b>116 309 259</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Other financial liabilities	13	-	335 406
Finance lease obligation	14	-	268 012
Payables from exchange transactions	15	12 695 902	11 028 360
Employee benefit obligation	16	607 000	566 000
Unspent conditional grants and receipts	17	1 876 499	346 403
		<b>15 179 401</b>	<b>12 544 181</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	13	-	367 938
Employee benefit obligation	16	6 018 000	4 619 000
		<b>6 018 000</b>	<b>4 986 938</b>
<b>Total Liabilities</b>		<b>21 197 401</b>	<b>17 531 119</b>
<b>Net Assets</b>		<b>101 474 383</b>	<b>98 778 140</b>
Revaluation reserve	18	62 024 719	63 703 719
Accumulated surplus		39 449 664	35 074 421
<b>TOTAL NET ASSETS</b>		<b>101 474 383</b>	<b>98 778 140</b>

\* See Note 51 & 50



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		-	26 087
Rental of facilities	19	139 924	128 687
Other income	20	314 743	204 756
Administration and management fees	21	1 869 911	2 288 809
Interest received	22	1 846 389	2 306 064
<b>Total revenue from exchange transactions</b>		<b>4 170 967</b>	<b>4 954 403</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants and subsidies	23	105 071 264	100 941 282
Donations received	24	4 395 670	-
<b>Total revenue from non-exchange transactions</b>		<b>109 466 934</b>	<b>100 941 282</b>
<b>Total revenue</b>		<b>113 637 901</b>	<b>105 895 685</b>
<b>EXPENDITURE</b>			
Employee related costs	25	(69 555 051)	(64 430 702)
Remuneration of councillors	26	(5 179 268)	(5 150 388)
Depreciation and amortisation	27	(3 849 153)	(4 053 872)
Finance costs	28	(581 353)	(659 340)
Debt Impairment	29	(113 755)	(109 096)
Transfers and subsidies	30	(78 115)	(289 039)
Operational costs	31	(30 987 915)	(31 850 537)
<b>Total expenditure</b>		<b>(110 344 610)</b>	<b>(106 542 974)</b>
<b>Operating Surplus/(Deficit)</b>		<b>3 293 291</b>	<b>(647 289)</b>
Gain/(Loss) on disposal of assets	32	(197 974)	(209 832)
Fair value adjustments	33	1 100 725	(413 623)
Actuarial (losses)/gains	16	(1 214 000)	302 879
Gains/(Loss) on biological assets	34	1 393 201	(296 519)
<b>Operating Surplus/(Deficit) for the year</b>		<b>4 375 243</b>	<b>(1 264 384)</b>

\* See Note 51 & 50

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

(DEMARCATIION CODE:DC45)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2019</b>	<b>55 386 620</b>	<b>36 338 805</b>	<b>91 725 425</b>
Net income recognised directly in net assets	8 317 099	-	8 317 099
Deficit for the year	-	(1 264 384)	(1 264 384)
Total changes	8 317 099	(1 264 384)	7 052 715
<b>Restated* Balance at 01 July 2020</b>	<b>63 703 719</b>	<b>35 074 421</b>	<b>98 778 140</b>
Changes in net assets			
Net income recognised directly in net assets	(1 679 000)	-	(1 679 000)
Surplus for the year	-	4 375 243	4 375 243
Total changes	(1 679 000)	4 375 243	2 696 243
<b>Balance at 30 June 2021</b>	<b>62 024 719</b>	<b>39 449 664</b>	<b>101 474 383</b>
Note(s)	18		

\* See Note 51 & 50

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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## Statement of Cash Flow

Figures in Rand	Note(s)	2021	2020 Restated*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		2 270 869	5 358 431
Grants		106 601 360	100 877 000
Interest income		1 846 389	2 306 064
		<u>110 718 618</u>	<u>108 541 495</u>
<b>Payments</b>			
Employee costs		(75 966 062)	(68 842 063)
Suppliers		(28 845 297)	(31 376 658)
Finance costs		(207 353)	(247 816)
		<u>(105 018 712)</u>	<u>(100 466 537)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>5 699 906</u></b>	<b><u>8 074 958</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	10	(1 337 021)	(647 359)
Proceeds from sale of property, plant and equipment	10	23 374	-
Purchase of other intangible assets	11	(68 012)	(319 500)
<b>Net cash flows from investing activities</b>		<b><u>(1 381 659)</u></b>	<b><u>(966 859)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of other financial liabilities		(703 344)	(502 324)
Finance lease payments		(268 012)	(228 730)
<b>Net cash flows from financing activities</b>		<b><u>(971 356)</u></b>	<b><u>(731 054)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>3 346 891</b>	<b>6 377 045</b>
Cash and cash equivalents at the beginning of the year		8 744 136	2 367 091
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>12 091 027</u></b>	<b><u>8 744 136</u></b>

\* See Note 51 & 50

# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

(DEMARCATIION CODE:DC45)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>REVENUE</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities	128 098	-	<b>128 098</b>	139 924	<b>11 826</b>	
Other income	-	-	-	314 743	<b>314 743</b>	1
Administration and management fees	2 803 756	-	<b>2 803 756</b>	1 869 911	<b>(933 845)</b>	2
Interest received	1 580 353	-	<b>1 580 353</b>	1 846 389	<b>266 036</b>	3
<b>Total revenue from exchange transactions</b>	<b>4 512 207</b>	<b>-</b>	<b>4 512 207</b>	<b>4 170 967</b>	<b>(341 240)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	101 883 000	5 586 407	<b>107 469 407</b>	105 071 264	<b>(2 398 143)</b>	
Donations received	-	-	-	4 395 670	<b>4 395 670</b>	4
<b>Total revenue from non-exchange transactions</b>	<b>101 883 000</b>	<b>5 586 407</b>	<b>107 469 407</b>	<b>109 466 934</b>	<b>1 997 527</b>	
<b>Total revenue</b>	<b>106 395 207</b>	<b>5 586 407</b>	<b>111 981 614</b>	<b>113 637 901</b>	<b>1 656 287</b>	
<b>EXPENDITURE</b>						
Employee related costs	(71 343 476)	(228 214)	<b>(71 571 690)</b>	(69 555 051)	<b>2 016 639</b>	
Remuneration of councillors	(5 470 610)	100 000	<b>(5 370 610)</b>	(5 179 268)	<b>191 342</b>	
Depreciation and amortisation	(3 485 883)	-	<b>(3 485 883)</b>	(3 849 153)	<b>(363 270)</b>	
Finance costs	(8 000)	(10 000)	<b>(18 000)</b>	(581 353)	<b>(563 353)</b>	5
Debt Impairment	(200 000)	100 000	<b>(100 000)</b>	(113 755)	<b>(13 755)</b>	6
Transfers and Subsidies	(200 000)	-	<b>(200 000)</b>	(78 115)	<b>121 885</b>	7
Operational costs	(25 768 768)	(4 778 664)	<b>(30 547 432)</b>	(30 987 915)	<b>(440 483)</b>	
<b>Total expenditure</b>	<b>(106 476 737)</b>	<b>(4 816 878)</b>	<b>(111 293 615)</b>	<b>(110 344 610)</b>	<b>949 005</b>	
<b>Operating surplus</b>	<b>(81 530)</b>	<b>769 529</b>	<b>687 999</b>	<b>3 293 291</b>	<b>2 605 292</b>	
Gain/(Loss) on disposal of assets	700 000	-	<b>700 000</b>	(197 974)	<b>(897 974)</b>	8
Fair value adjustment	-	-	-	1 100 725	<b>1 100 725</b>	9
Actuarial gains/(losses)	-	-	-	(1 214 000)	<b>(1 214 000)</b>	10
Loss on biological assets	-	-	-	1 393 201	<b>1 393 201</b>	11
	<b>700 000</b>	<b>-</b>	<b>700 000</b>	<b>1 081 952</b>	<b>381 952</b>	
<b>Surplus for the year</b>	<b>618 470</b>	<b>769 529</b>	<b>1 387 999</b>	<b>4 375 243</b>	<b>2 987 244</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>618 470</b>	<b>769 529</b>	<b>1 387 999</b>	<b>4 375 243</b>	<b>2 987 244</b>	

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
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**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	8 545 863	1 134 000	<b>9 679 863</b>	9 314 911	<b>(364 952)</b>	
Receivables from exchange transactions	7 260 000	-	<b>7 260 000</b>	7 958 297	<b>698 297</b>	
Receivables from non-exchange transactions	1 095 116	-	<b>1 095 116</b>	94 055	<b>(1 001 061)</b>	11
VAT receivable	-	-	-	1 116 191	<b>1 116 191</b>	12
Cash and cash equivalents	9 492 000	15 519 969	<b>25 011 969</b>	12 091 027	<b>(12 920 942)</b>	13
	<b>26 392 979</b>	<b>16 653 969</b>	<b>43 046 948</b>	<b>30 574 481</b>	<b>(12 472 467)</b>	
<b>Non-Current Assets</b>						
Biological assets	4 292 620	(1 511 630)	<b>2 780 990</b>	5 264 916	<b>2 483 926</b>	14
Investment property	6 020 000	550 000	<b>6 570 000</b>	6 580 000	<b>10 000</b>	
Property, plant and equipment	73 319 708	4 727 235	<b>78 046 943</b>	78 637 237	<b>590 294</b>	
Intangible assets	1 716 538	606 132	<b>2 322 670</b>	1 595 399	<b>(727 271)</b>	15
Heritage assets	19 750	-	<b>19 750</b>	19 750	-	
	<b>85 368 616</b>	<b>4 371 737</b>	<b>89 740 353</b>	<b>92 097 302</b>	<b>2 356 949</b>	
<b>Total Assets</b>	<b>111 761 595</b>	<b>21 025 706</b>	<b>132 787 301</b>	<b>122 671 783</b>	<b>(10 115 518)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	776 239	2 108 935	<b>2 885 174</b>	-	<b>(2 885 174)</b>	16
Payables from exchange transactions	5 982 260	(270 159)	<b>5 712 101</b>	11 619 440	<b>5 907 339</b>	17
Employee benefit obligation	-	566 000	<b>566 000</b>	607 000	<b>41 000</b>	
Unspent conditional grants and receipts	-	-	-	1 876 499	<b>1 876 499</b>	18
	<b>6 758 499</b>	<b>2 404 776</b>	<b>9 163 275</b>	<b>14 102 939</b>	<b>4 939 664</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	1 078 558	710 620	<b>1 789 178</b>	-	<b>(1 789 178)</b>	16
Employee benefit obligation	9 739 557	1 840 086	<b>11 579 643</b>	6 018 000	<b>(5 561 643)</b>	19
	<b>10 818 115</b>	<b>2 550 706</b>	<b>13 368 821</b>	<b>6 018 000</b>	<b>(7 350 821)</b>	
<b>Total Liabilities</b>	<b>17 576 614</b>	<b>4 955 482</b>	<b>22 532 096</b>	<b>20 120 939</b>	<b>(2 411 157)</b>	
<b>Net Assets</b>	<b>94 184 981</b>	<b>16 070 224</b>	<b>110 255 205</b>	<b>102 550 844</b>	<b>(7 704 361)</b>	
<b>Reserves</b>						
Revaluation reserve	55 386 620	8 317 099	<b>63 703 719</b>	62 024 719	<b>(1 679 000)</b>	
Accumulated surplus	38 798 361	7 753 125	<b>46 551 486</b>	39 449 666	<b>(7 101 820)</b>	20
<b>Total Net Assets</b>	<b>94 184 981</b>	<b>16 070 224</b>	<b>110 255 205</b>	<b>101 474 385</b>	<b>(8 780 820)</b>	

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
(DEMARCATIION CODE:DC45)  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

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

#### 1.1 Going concern assumption

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

#### 1.2 Significant judgements and sources of estimation uncertainty

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

##### Receivables

The entity 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.

##### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

An independent, qualified valuer will be appointed where necessary, for example in estimating the fair value of investment property or biological assets.

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

#### Value in use of cash generating assets

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

#### Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

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

#### Useful lives of property, plant and equipment and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

#### Post retirement benefits and other long-term benefits

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

The entity 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on 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 pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

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

#### Effective interest rate

The entity used the prime interest rate to discount future cash flows except for long term borrowings or finance leases, where the contractually agreed or implied interest rate is used.

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## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for impairment of financial assets

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

### 1.3 Biological assets

The Municipality recognises biological assets or agricultural produce when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

### 1.4 Investment property

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

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

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

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

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

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

#### Fair value

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

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

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

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

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



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### 1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- managements' intended usage of the property; and
- the extent to which it is owner occupied.

### 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 entity; 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 municipality 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 is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, community assets - buildings and community assets - land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20 - 30 years
Community assets - buildings	Straight line	20 - 30 years
Community assets - land	Straight line	Indefinite
Disaster unit - buildings	Straight line	5 - 30 years
Furniture and fittings	Straight line	5 - 30 years
IT equipment	Straight line	5 - 30 years
Land	Straight line	Indefinite
Leased assets	Straight line	3 - 8 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	5 - 30 years
Other property, plant and equipment	Straight line	2 - 25 years

The entity assesses at each reporting date whether there is any indication that the municipality's 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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset

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

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

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

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

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### 1.6 Intangible assets

An asset is identifiable if it either:

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

Intangible assets are initially measured at cost

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.

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

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

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 to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software	Straight line	5 - 10 years

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Intangible assets are derecognised:

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

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

### 1.7 Heritage assets

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

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### **1.7 Heritage assets (continued)**

The Municipality recognises heritage assets 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 can be measured reliably.

When the Municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 12 - Heritage assets.

Heritage assets are initially measured at cost.

When 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 to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

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

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

The Municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

### **1.8 Impairment of cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

Criteria developed by the Municipality to distinguish cash-generating assets from non-cash-generating assets are as follows: as the Municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Other revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities.

#### **Identification**

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

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

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

#### **Value in use**

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

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### 1.8 Impairment of cash-generating assets (continued)

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

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### 1.8 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

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

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

Criteria developed by the Municipality to distinguish non-cash-generating assets from cash-generating assets are as follows: as the municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities; all such interchangeable assets are deemed to be non-cash generating assets.

#### Identification

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

The entity 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 entity estimates the recoverable service amount of the asset.

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

#### Value in use

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

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 entity 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.

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.

#### Reversal of an impairment loss

The entity 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 entity 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.

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

#### Redesignation

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

### 1.10 Financial instruments

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

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions (Trade debtors)	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Payables from exchange transactions (Trade payables)	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Unspent conditional grants and receipts, grant receivable	Financial liability measured at fair value

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

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

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

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### 1.10 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

##### Financial liabilities

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

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

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

### 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.

Current replacement cost is the cost the entity 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.

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### 1.11 Inventories (continued)

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 entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Value added taxation

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

### 1.13 Employee benefits

#### 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 municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise 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 municipality has no realistic alternative but to make the payments.

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### 1.13 Employee benefits (continued)

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

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

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

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

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

#### 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.

#### Other long-term employee benefits

The Municipality has an obligation to provide other long-term service allowance benefits to the majority of its employees.

The Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

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### 1.14 Provisions and contingencies

Provisions are recognised when:

- the entity 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 entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The amounts disclosed as contingent liabilities or assets shall be the best estimate of the expenditure required to settle the obligation, or benefits to be obtained at the reporting date. The estimate may be based on guidance from experts, such as attorneys. Where it is not practicable to engage an expert, and it is not practicable to determine expected values with any certainty, the gross amount of a claim or dispute will be disclosed.

### 1.15 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

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### 1.16 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus / deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.17 Accounting by principals and agents

#### Identification

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

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

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

#### Binding arrangement

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

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

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

The entity 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 entity 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 entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

#### Recognition

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

### 1.18 Revenue from exchange transactions

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.

#### Measurement

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

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### 1.18 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 entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest

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

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

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

### 1.19 Revenue from non-exchange transactions

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

#### 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 entity 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.

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

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### **1.19 Revenue from non-exchange transactions (continued)**

#### **Measurement**

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

When, as a result of a non-exchange transaction, the entity 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.

#### **Transfers**

The entity 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 entity 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.

#### **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 entity and the fair value of the assets can be measured reliably.

#### **Services in-kind**

Except for financial guarantee contracts, the entity 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 entity and the fair value of the assets can be measured reliably.

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

### **1.20 Borrowing costs**

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

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

### **1.21 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 municipality assesses the classification of each element separately.



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### **1.21 Leases (continued)**

#### **Finance leases - lessor**

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

#### **Finance leases - lessee**

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

The discount rate used in calculating the present value of the minimum lease payments is the Municipality's incremental borrowing rate.

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

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

#### **Operating leases - lessor**

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

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

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

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

#### **Operating leases - lessee**

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

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

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

### **1.22 Grant in aid**

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

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### 1.23 Comparative figures

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

### 1.24 Commitments

Items are classified as commitments when an municipality 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.26 Fruitless and wasteful expenditure

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

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

### 1.27 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 municipality's supply chain management policy.

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

### 1.28 Budget information

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

The approved budget covers the fiscal period from 1 July 2019 to 30 June 2020.

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

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### 1.29 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.30 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 entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

### 1.31 Statutory receivables

#### Identification

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

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The entity recognises statutory receivables as follows:

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

#### Initial measurement

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### 1.31 Statutory receivables (continued)

The entity initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

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## **Accounting Policies**

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### **1.31 Statutory receivables (continued)**

#### **Derecognition**

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

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

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

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2020	The impact of the standard is not material.
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	The impact of the standard is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	The impact of the standard is not material.
• GRAP 34: Separate Financial Statements	01 April 2020	The impact of the standard is not material.
• GRAP 35: Consolidated Financial Statements	01 April 2020	The impact of the standard is not material.
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	The impact of the standard is not material.
• GRAP 37: Joint Arrangements	01 April 2020	The impact of the standard is not material.
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	The impact of the standard is not material.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of the standard is not material.
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	The impact of the standard is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The impact of the standard is set out in note 51 Changes in accounting policy.

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**3. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	969	43
Bank balance	9 681 231	8 726 886
Short-term deposits	2 408 827	17 207
	<b>12 091 027</b>	<b>8 744 136</b>

The municipality had the following bank accounts and cash on hand:

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
Std Bank - Call Account 508871603-019	-	-	496 434	-	-	496 434
Std Bank - Call Account 508871603-020	17 821	17 207	600 317	17 821	17 207	600 317
Std Bank - Call Account 048463353-007	-	86 421	-	-	-	-
Std Bank - Call Account 508871603-016	-	-	538 806	-	-	538 806
Cash on hand	969	43	1 949	969	43	1 949
Standard Bank - Mainaccount Account 240923804	9 681 231	8 728 886	729 585	9 681 231	8 726 886	729 585
Std BANK -Call Account - 048463353-025	435 414	-	-	435 414	-	-
Std BANK -Call Account - 048463353-027	1 955 592	-	-	1 955 592	-	-
<b>Total</b>	<b>12 091 027</b>	<b>8 832 557</b>	<b>2 367 091</b>	<b>12 091 027</b>	<b>8 744 136</b>	<b>2 367 091</b>

The following investment accounts matured during the 2020/21 financial year (i.e. the opening and closing balances at the respective reporting dates were nil):

Standard Bank	Investment Call Account	048463353-007
Standard Bank	Investment Call Account	048463353-016
Standard Bank	Investment Fixed Deposit	048463353-017
Standard Bank	Investment Fixed Deposit	048463353-018
Standard Bank	Investment Fixed Deposit	048463353-019
Standard Bank	Investment Fixed Deposit	048463353-020
Standard Bank	Investment Call Account	048463353-021
Standard Bank	Investment Call Account	048463353-022
Standard Bank	Investment Call Account	048463353-023
Standard Bank	Investment Call Account	048463353-024

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**3. Cash and cash equivalents (continued)**

Standard Bank	Investment Fixed Deposit	048463353-026
Standard Bank	Investment Fixed Deposit	048463353-028
Standard Bank	Investment Fixed Deposit	048463353-029
Standard Bank	Investment Fixed Deposit	048463353-030
Standard Bank	Investment Call Account	048463353-031
Standard Bank	Investment Call Account	508871603-016
Standard Bank	Investment Call Account	508871603-019
Nedbank	Investment Fixed Deposit	03/7881102918/000059
ABSA	Investment Fixed Deposit	2079752418
FNB	Investment Fixed Deposit	7100-2746-116

The following investment accounts were opened during 2020/21 financial year.

Standard Bank	Investment Call Account	048463353-016
Standard Bank	Investment Fixed Deposit	048463353-017
Standard Bank	Investment Fixed Deposit	048463353-018
Standard Bank	Investment Fixed Deposit	048463353-019
Standard Bank	Investment Fixed Deposit	048463353-020
Standard Bank	Investment Call Account	048463353-021
Standard Bank	Investment Call Account	048463353-022
Standard Bank	Investment Call Account	048463353-023
Standard Bank	Investment Call Account	048463353-024
Standard Bank	Investment Call Account	048463353-025
Standard Bank	Investment Fixed Deposit	048463353-026
Standard Bank	Investment Call Account	048463353-027
Standard Bank	Investment Fixed Deposit	048463353-028
Standard Bank	Investment Fixed Deposit	048463353-029
Standard Bank	Investment Fixed Deposit	048463353-030
Standard Bank	Investment Call Account	048463353-031
Nedbank	Investment Fixed Deposit	03/7881102918/000059
ABSA	Investment Fixed Deposit	2079752418



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### 4. Receivables from exchange transactions

Trade debtors	7 182 217	8 134 848
Prepaid expenses	771 200	705 811
Bursary repayment	4 880	6 080
	<b>7 958 297</b>	<b>8 846 739</b>

#### Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.

Current (0 - 30 days)	1 258 563	1 055 853
31 - 60 Days	63 089	1 176 439
61 - 90 Days	57 269	(259 803)
+ 90 Days	8 244 247	8 425 367
Allowance for impairment	(1 664 872)	(1 551 117)
	<b>7 958 296</b>	<b>8 846 739</b>

#### Summary of receivables by customer classification

	Other	Organs of state	Total
<b>30 June 2021</b>			
Current (0 - 30 days)	799 027	459 536	1 258 563
31 - 60 Days	23 943	39 146	63 089
61 - 90 Days	17 898	39 371	57 269
+ 90 Days	1 667 854	6 576 393	8 244 247
Allowance for impairment	(1 664 872)	-	(1 664 872)
	<b>843 850</b>	<b>7 114 446</b>	<b>7 958 296</b>

#### Summary of receivables by customer classification

	Other	Organs of state	Total
<b>30 June 2020</b>			
Current (0 - 30 days)	336 066	719 788	1 055 854
31 - 60 Days	718 350	458 089	1 176 439
61 - 90 Days	13 809	(273 613)	(259 804)
+ 90 Days	1 444 172	6 981 195	8 425 367
Allowance for impairment	(1 551 117)	-	(1 551 117)
	<b>961 280</b>	<b>7 885 459</b>	<b>8 846 739</b>

The negative 61-90 days bracket on the organs of state, in the 2020 financial year is a due to a reversal that was done on Joe Morolong Municipality's debtor account.

#### 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 external credit ratings or to historical information about counterparty default rates.

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#### 4. Receivables from exchange transactions (continued)

##### Trade and other receivables past due but not impaired

Impairment is provided for all individual accounts which are more than one month past due. The full amount is not impaired and variable rates are used on each individual account depending on the risk profile of the account. National and Provincial Government accounts are not impaired. At 30 June 2021 R 6 654 910 (2020: R 7 204 839) trade receivables were past due but not impaired.

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

1 month past due	39 146	39 167
2 months past due	39 371	458 089
3 months past due	6 576 393	6 707 583

##### Trade and other receivables impaired

As of 30 June 2021, trade receivables of R 1 732 642 (2020: R 1 894 561) were impaired and provided for, excluding prepaid expenses and the bursary repayment.

The amount of the allowance for impairment was R 1 664 872 as of 30 June 2021 (2020: R 1 551 117).

#### 5. Receivables from non-exchange transactions

Receivable from grants	94 055	94 055
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Receivables from non exchange transactions are in relation to amounts owed to the municipality by Provincial and National Treasury for Grants.

#### 6. Inventories

Consumable stores	628 940	98 389
Properties to be transferred	8 491 346	8 491 346
Bricks	189 765	189 765
Crusher dust	4 860	4 860
	<b>9 314 911</b>	<b>8 784 360</b>

##### Inventory pledged as security

Inventory was not pledged as security.

#### 7. Statutory receivables

VAT receivable	1 116 191	287 795
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VAT receivable is a statutory debtor as it arises from legislation (Value-added Tax Act) and requires settlement by another entity in cash. This receivable arises whenever the municipality enters into vatable transactions and is recognised at 15% on the transaction amount.

##### Pledged as security

The statutory receivables have not been pledged as security.

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### 8. Biological assets

	2021		2020	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Biological assets - game	5 264 916	-	5 264 916	2 780 990
			2 780 990	-
				2 780 990

#### Reconciliation of biological assets - 2021

	Opening balance	Additions	Gains or losses arising from changes in fair value	Total
Biological assets - game	2 780 990	1 393 201	1 090 725	5 264 916

#### Reconciliation of biological assets - 2020

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - game	4 292 620	(548 007)	(963 623)	2 780 990

#### Non-financial information

##### Quantities of each biological asset

Blesbok	9	7
Blue wildebeest	409	289
Duiker	22	17
Eland	48	41
Gemsbok	130	99
Ostrich	71	58
Red hartebeest	14	10
Springbuck	398	268
Zebra	24	20
	<b>1 125</b>	<b>809</b>

The biological assets were valued by JBFE Consulting (PTY) Ltd, an independent professional value

Game is valued using officially listed and publicised game auction and numbers. An active market exists for game but some species have no commercial value and are counted but not valued for trading. These are reflected in the listing below.

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**8. Biological assets (continued)**

**Non-Biological assets with no commercial value**

Bat-eared fox	-	6
Black backed jackal	1	4
Vultures	36	28
Domestic cattle	72	7
Domestic horses	10	9
	<b>119</b>	<b>54</b>

Domestic animals on the farm are known to belong to members of the community, and are not considered to be assets of the municipality.

The key assumption in the valuation method used is that genetic variation in species are excluded from the valuation. This means that rare species types sales values are excluded as their pricing is not a fair reflection of the game populations value.

The increase could be due to changes in environmental factors such as rainfall, which resulted in an incline in population numbers.

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

**Pledged as security**

The biological assets have not been pledged as security.

**Methods and assumptions used in determining fair value**

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

**9. Investment property**

	2021			2020		
	Cost / Valuation	Gains or losses arising from changes in fair value	Carrying value	Cost / Valuation	Gains or losses arising from changes in fair value	Carrying value
Investment property	6 570 000	10 000	6 580 000	6 020 000	550 000	6 570 000

**Reconciliation of investment property - 2021**

	Opening balance	Fair value adjustments	Total
Investment property	6 570 000	10 000	6 580 000

**Reconciliation of investment property - 2020**

	Opening balance	Fair value adjustments	Total
Investment property	6 020 000	550 000	6 570 000

**Pledged as security**

Investment properties are not pledged as security.

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**9. Investment property (continued)**

**Details of property**

**Erf 2617 - Kuruman - Campus**

Freehold ownership property in the Kuruman registration division. Site area is 1190 m square. Title deed No. T1049/1993, previously T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with Erf 2617 which is a consolidation of erven 1105 and 1106.

- Valuation 2 180 000 2 240 000

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**Erf 938 Kuruman - Offices let to the John Taolo Gaetsewe Development Trust**

Property in the Northern Cape province with title deed number T416/1996. Site area is 1190m<sup>2</sup>.

- Valuation 1 690 000 1 620 000

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**Erf 4439 Kuruman - Vacant stand**

Property in the Northern Cape province with title deed number T26/2011 previously T25/2011. Site area is 17052m

- Valuation 2 710 000 2 710 000

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The effective date of the revaluations of investment property was Wednesday, 30 June 2021. Revaluations were performed by independent valuers, DDP Property Evaluation Experts. DDP Property Evaluation Experts are not connected to the municipality.

The method of valuation entailed the comparison of recent sales of land and buildings with similar value forming attributes in comparison to the subject property, situated in the surrounding area of the subject property. The market value was determined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

These assumptions were based on current market conditions.

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 entity.

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**10. 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	45 560 000	-	45 560 000	46 540 000	-	46 540 000
Buildings	23 477 228	(1 312 972)	22 164 256	24 177 229	(18 435)	24 158 794
Furniture and office equipment	5 502 022	(3 599 466)	1 902 556	6 176 247	(3 608 916)	2 567 331
Transport assets	10 319 107	(5 624 610)	4 694 497	7 034 247	(4 930 474)	2 103 773
Computer equipment	7 048 997	(5 153 698)	1 895 299	6 750 894	(4 846 633)	1 904 261
Community assets	622 000	(32 737)	589 263	621 000	-	621 000
Other property, plant and equipment	1 944 440	(113 073)	1 831 367	142 257	(80 652)	61 605
<b>Total</b>	<b>94 473 794</b>	<b>(15 836 556)</b>	<b>78 637 238</b>	<b>91 441 874</b>	<b>(13 485 110)</b>	<b>77 956 764</b>

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

**Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	46 540 000	-	-	(980 000)	-	45 560 000
Buildings	24 158 793	-	-	(700 000)	(1 294 536)	22 164 258
Furniture and office equipment	2 567 331	95 869	(155 283)	-	(605 361)	1 902 556
Transport assets	2 103 774	3 284 860	-	-	(694 136)	4 694 498
Computer equipment	1 904 259	549 621	(37 077)	-	(521 541)	1 895 262
Community assets	621 000	-	-	1 000	(32 737)	589 263
Other property, plant and equipment	61 605	1 803 383	(44)	-	(33 578)	1 831 366
	<b>77 956 762</b>	<b>5 733 733</b>	<b>(192 404)</b>	<b>(1 679 000)</b>	<b>(3 181 889)</b>	<b>78 637 203</b>

**Reconciliation of property, plant and equipment - 2020**

	Opening balance	Additions	Write-offs	Revaluations	Depreciation	Total
Land	41 850 001	-	-	4 689 999	-	46 540 000
Buildings	21 496 390	-	-	3 786 311	(1 123 908)	24 158 793
Furniture and office equipment	3 310 400	97 531	(25 800)	-	(814 798)	2 567 333
Transport assets	2 809 107	-	(103 304)	-	(602 029)	2 103 774
Computer equipment	2 221 565	549 828	(55 187)	-	(811 947)	1 904 259
Community assets	821 275	-	-	(159 211)	(41 064)	621 000
Other property, plant and equipment	76 295	-	(34)	-	(14 656)	61 605
	<b>72 585 033</b>	<b>647 359</b>	<b>(184 325)</b>	<b>8 317 099</b>	<b>(3 408 402)</b>	<b>77 956 764</b>

**Pledged as security**

None of the above property, plants and equipment have been pledged as security.

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

**Revaluations**

The effective date of the revaluations of land and buildings was Wednesday, 30 June 2021. Revaluations were performed by independent valuers, DDP Property Evaluation Experts. DDP Property Evaluation Experts are not connected to the entity.

The method of valuation entailed the comparison of recent sales of land and buildings with similar value forming attributes in comparison to the subject property, situated in the surrounding area of the subject property. The market value was determined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

These assumptions were based on current market conditions.

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

Maintenance of Equipment	564 450	673 576
Repairs of community owned properties	1 194 667	1 256 594
	<b>1 759 117</b>	<b>1 930 170</b>

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 entity. The asset classes on the register were reclassified to improve on the reporting.



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**11. Intangible assets**

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 391 141	(1 795 742)	1 595 399	3 772 184	(1 547 514)	2 224 670

**Reconciliation of intangible assets - 2021**

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	2 224 670	68 012	(29 984)	(667 299)	1 595 399

**Reconciliation of intangible assets - 2020**

	Opening balance	Additions	Amortisation	Total
Computer software	2 576 112	319 500	(670 942)	2 224 670

**Pledged as security**

The intangible assets are not pledged as security.

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**12. Heritage assets**

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	19 750	-	19 750	19 750	-	19 750

**Reconciliation of heritage assets 2021**

	Opening balance	Total
Mayoral chain	19 750	19 750

**Reconciliation of heritage assets 2020**

	Opening balance	Total
Mayoral chain	19 750	19 750

**Assessment for Impairment of Heritage assets**

The Mayoral chain was assessed for impairment and there were no indications of impairment noted.

**Pledged as security**

The heritage assets are not pledged as security.

**Expenditure incurred to repair maintain heritage assets**

No such expenditure was incurred in relation to heritage assets.

**Other information**

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

**13. Other financial liabilities**

**At amortised cost**

DBSA loan	-	703 344
The loan accrues interest at a fixed rate of 9.64% (2020: 9.64%), and is repayable in 30 bi-annual instalments of R197 561 over 15 years.		

The municipality has not defaulted on the repayment of principal and interest relating to the DBSA loan and settled it in full during the period ended 30 June 2021.

**Non-current liabilities**

At amortised cost	-	367 938
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**Current liabilities**

At amortised cost	-	335 406
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<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	319 120
	-	319 120
less: future finance charges	-	(51 108)
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>268 012</b>
 <b>Present value of minimum lease payments due</b>		
- within one year	-	268 012

It is entity policy to lease office equipment such as photocopying and printing machines under finance leases.

### 15. Payables from exchange transactions

Trade payables	4 471 887	1 720 602
Payments received in advanced- contract in process	862 744	862 744
Payroll related liabilities at year end	83 961	1 240 529
Leave accrual	5 538 579	5 519 817
Bonus accrual	1 738 731	1 684 668
	<b>12 695 902</b>	<b>11 028 360</b>

Payroll related liabilities include payroll taxes due to SARS and bonus installments.

Payables are recognised net of any discounts.

As far as possible, payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

### 16. Employee benefit obligations

The employee benefit obligation relate to post-retirement medical aid benefits provided and long service awards.

#### Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

#### Post-retirement Medical Aid Benefit and Long Service Award

##### Carrying value

Present value of unfunded obligation at the beginning of the year	5 185 000	5 359 088
Net actuarial gains or losses	1 214 000	(302 879)
Difference between expected and actual current service costs	(148 000)	(281 840)
Interest cost	374 000	410 631
	<b>6 625 000</b>	<b>5 185 000</b>
 Non-current liabilities	 6 018 000	 4 619 000
Current liabilities	607 000	566 000
	<b>6 625 000</b>	<b>5 185 000</b>

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### 16. Employee benefit obligations (continued)

#### Long Service Awards- Key Assumptions

Discount rate	9,13 %	7,24 %
General earnings inflation rate	5,77 %	3,92 %
Net effective discount rate	3,18 %	3,19 %

#### Long service awards

The municipality has an obligation to provide long service awards benefits to all its permanent employees. In terms of the municipalities policies and practice, permanent employees other than section 57 managers are entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The actuarial valuation of the present value of the obligation at 30 June 2021 was carried out by Arch Actuarial Consulting CC. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	3 491 000	3 104 888
Actuarial gains/losses	(149 000)	174 624
Difference between expected and actual current service costs	42 000	(24 431)
Interest cost	239 000	235 919
	<b>3 623 000</b>	<b>3 491 000</b>
Non-current liabilities	3 320 000	3 115 000
Current liabilities	303 000	376 000
	<b>3 623 000</b>	<b>3 491 000</b>

-

### 17. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Khotso Pula Nala unspent grant	30 197	30 197
Fire grant	5	5 005
COVID-19 grant	1 663 048	-
LG SETA grant	69 000	-
HIV and AIDS council	114 249	311 201
	<b>1 876 499</b>	<b>346 403</b>

The nature and extent of government grants recognised on these audited annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

### 18. Revaluation reserve

Opening balance	63 703 719	55 386 620
Revaluation of land and buildings - current year	(1 679 000)	8 317 099
	<b>62 024 719</b>	<b>63 703 719</b>

The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment. The revaluation of land and buildings was performed by DDP Valuers as at 30 June 2021.

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Figures in Rand	2021	2020
<b>19. Rental of facilities and equipment</b>		
Premises	139 924	128 687
<b>20. Other income</b>		
Other revenue	-	1 400
VAT recoveries and write-offs	-	203 356
Insurance refunds	314 743	-
	<b>314 743</b>	<b>204 756</b>
<b>21. Administration and management fees</b>		
Product related services	1 756 080	1 973 087
Training (LGSETA)	113 831	90 722
District planning tribunal	-	225 000
	<b>1 869 911</b>	<b>2 288 809</b>
<b>22. Interest received</b>		
<b>Interest revenue</b>		
Receivables from exchange transactions	685 988	942 435
Bank	1 160 401	1 363 629
	<b>1 846 389</b>	<b>2 306 064</b>

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Figures in Rand	2021	2020
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	93 279 000	89 657 000
LG SETA	36 360	-
Fire grant	5 000	-
Near grant	-	247 000
Financial management grant	1 000 000	1 465 000
Expanded public works program	1 000 000	1 088 000
Rural roads asset management grant	2 000 000	2 101 000
HIV/AIDS grant	496 952	564 282
COVID-19 grant	3 103 952	-
Infrastructure skills development grant	4 150 000	4 800 000
Municipal Disaster Relief Grant	-	119 000
Housing accreditation grant	-	900 000
	<b>105 071 264</b>	<b>100 941 282</b>

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<b>23. Government grants and subsidies (continued)</b>		
<b>Equitable share</b>		
The equitable share is a financial allocation from National Treasury in the form of an unconditional grant that enables municipalities to provide basic services to poor households, and to enable municipalities with limited own resources to afford basic administrative and governance capacity and perform core municipal functions.		
Current-year receipts	93 279 000	89 657 000
Conditions met - transferred to revenue	(93 279 000)	(89 657 000)
<b>Net grant receivable</b>	<b>-</b>	<b>-</b>
<b>Financial management grant</b>		
Current-year receipts	1 000 000	1 465 000
Conditions met - transferred to revenue	(1 000 000)	(1 465 000)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>
The Financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA.		
<b>Fire grant</b>		
Balance unspent at beginning of year	5 005	5 005
Conditions met - transferred to revenue	(5 000)	-
<b>Net of unspent grants</b>	<b>5</b>	<b>5 005</b>
Kuruman is prone to natural disasters, mainly fires. This grant was used to assist local municipalities to upgrade and render a fire service.		
<b>Housing accreditation grant</b>		
Current-year receipts	-	900 000
Conditions met - transferred to revenue	-	(900 000)
<b>Net of (unspent)/receivable grants</b>	<b>-</b>	<b>-</b>
The housing grant was utilised for the development of erven and the erection of top structures.		
<b>Khotso Pula Nala</b>		
Balance unspent at beginning of year	30 197	30 197
The grant related to infrastructure projects at the local municipalities in the district.		
<b>Near grant</b>		
Current-year receipts	-	247 000
Conditions met - transferred to revenue	-	(247 000)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>
The grant was used to maintain the disaster management centre.		
<b>Expanded public works programme - incentive grant</b>		
Current-year receipts	1 000 000	1 088 000

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<b>23. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(1 000 000)	(1 088 000)
<b>Net of unspent/(unpaid) grants</b>	<b>-</b>	<b>-</b>
The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive.		
<b>HIV and AIDS council</b>		
Balance unspent at beginning of year	311 201	375 483
Current-year receipts	300 000	500 000
Conditions met - transferred to revenue	(496 952)	(564 282)
<b>Net of unspent grants</b>	<b>114 249</b>	<b>311 201</b>
The grant was used for HIV and AIDS awareness programmes.		
<b>Infrastructure skill development grant</b>		
Current-year receipts	4 150 000	4 800 000
Conditions met - transferred to revenue	(4 150 000)	(4 800 000)
<b>Net of unspent grants</b>	<b>-</b>	<b>-</b>
The grant was used to employ interns for training in civil engineering, building inspections and town planning.		
<b>Rural road asset management grant</b>		
Current-year receipts	2 000 000	2 101 000
Conditions met - transferred to revenue	(2 000 000)	(2 101 000)
<b>Net of unspent/(unpaid) grants</b>	<b>-</b>	<b>-</b>
This grant is gazetted in the DORA to establish a road asset management system. The municipality uses these funds to employ interns to analyse and report on road usage.		
<b>Municipal Disaster Relief Grant</b>		
Current-year receipts	-	119 000
Conditions met - transferred to revenue	-	(119 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
<b>Covid 19 Grant</b>		
Current-year receipts	4 767 000	-
Conditions met - transferred to revenue	(3 103 952)	-
<b>Net of unspent grants</b>	<b>1 663 048</b>	<b>-</b>
The grant was used for Covid 19 related expenditure.		
<b>LG SETA</b>		
Current-year receipts	105 360	-
Conditions met - transferred to revenue	(36 360)	-



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<b>23. Government grants and subsidies (continued)</b>		
	<b>69 000</b>	-
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>24. Donations in kind</b>		
Assmang Black Rock Mine	4 395 670	-

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### 25. Employee related costs

Basic salary	46 431 793	43 087 240
Bonus	3 133 149	3 085 322
Medical aid - company contributions	3 452 764	3 118 980
Unemployment insurance fund	222 697	211 807
Skills development levy	476 855	440 935
Leave	3 987 037	3 322 349
Remote Allowance	432 968	438 262
Inconvenience allowance	117 818	110 887
Nightshift allowance	626 421	537 948
Long-service awards	271 759	207 587
Acting allowance	54 366	369 274
Travel allowance	1 407 174	1 557 730
Housing benefits and allowances	1 826 400	1 683 332
Contribution provident fund	445 939	368 120
Contribution pension fund	6 561 095	5 910 821
Contribution industrial council	11 777	10 569
Change in valuation of employee benefit obligations	(148 000)	(281 840)
Cellular phone allowance	243 039	251 379
	<b>69 555 051</b>	<b>64 430 702</b>

### Remuneration Municipal Management DH Molaole

Annual Remuneration	1 267 066	1 235 430
Car Allowance	28 800	28 800
Remote Allowance	88 695	86 480
Cellular Phone Allowance	19 200	19 200
Backpay basic salary	-	31 636
Backpay-Remote Allowance	-	2 215
Leave Payout	76 024	49 302
	<b>1 479 785</b>	<b>1 453 063</b>

### Remuneration of director of infrastructure: M.W. Molusi

Annual Remuneration	920 327	875 778
Car Allowance	110 000	148 800
Additional transport allowance	28 800	-
Performance Bonuses	-	69 456
Cellphone Allowance	19 200	19 200
Remote Allowance	72 823	69 704
Backpay - Basic Salary	-	39 110
Backpay - Remote Allowance	-	2 738
Leave Payout	455 491	39 689
	<b>1 606 641</b>	<b>1 264 475</b>

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**25. Employee related costs (continued)**

**Remuneration of director of community services: T.H. Matlhare**

Annual Remuneration	850 107	814 171
Car Allowance	100 800	129 600
Additional transport allowance	28 800	-
Performance Bonuses	-	63 819
Remote Allowance	66 564	64 048
Cellular Phone Allowance	19 200	19 200
Leave payout	438 253	36 468
Backpay - Basic Salary	-	35 936
Backpay - Remote Allowance	-	2 516
	<b>1 503 724</b>	<b>1 165 758</b>

**Remuneration of acting director of development and planning: K.K. Teise**

Annual Remuneration	899 363	882 377
Car Allowance	140 964	169 764
Additional transport allowance	28 800	-
Performance Bonuses	-	71 378
Remote Allowance	72 823	71 634
Cellular Phone Allowance	19 200	19 200
Backpay - Basic Salary	-	44 243
Backpay - Remote allowance	-	2 813
Leave Payout	297 883	40 788
	<b>1 459 033</b>	<b>1 302 197</b>

**Remuneration of the Chief Financial Officer GP Moroane**

Annual Remuneration	956 327	930 352
Car Allowance	84 000	112 800
Additional transport allowance	28 800	-
Backpay- Basic Salary	-	25 975
Performance Bonuses	-	70 839
Remote Allowance	72 823	75 055
Cellular Phone Allowance	19 200	19 200
Backpay- Remote Allowance	-	1 818
Leave Payout	400 170	40 480
	<b>1 561 320</b>	<b>1 276 519</b>

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**25. Employee related costs (continued)**

**Director Corporate services E Tshabaemang**

Annual Remuneration	666 307	634 324
Car Allowance	180 000	208 800
Additional transport allowance	28 800	-
Performance Bonuses	-	56 799
Backpay - Basic salary	-	31 983
Remote Allowance	59 242	57 003
Cellular Phone Allowance	19 200	19 200
Backpay - Remote allowance	-	2 239
Leave payout	50 779	32 457
	<b>1 004 328</b>	<b>1 042 805</b>

The senior manager remuneration is in line with the upper limits as per the Government Gazette.

**26. Remuneration of councillors**

Mayor, Speaker and Councillors	5 179 268	5 150 388
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### 26. Remuneration of councillors (continued)

#### In-kind benefits

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The executive mayor has use of a council owned vehicle for official duties.

The remuneration of councillors is in line with the 2021 upper limits as per the Government Gazette.

#### Executive mayor: S Mosikatsi

Annual remuneration	647 060	621 261
Car Allowance	84 670	84 670
Pension fund contributions	129 129	124 576
Skills development levy	5 271	5 033
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
Back pay	-	30 351
	<b>910 530</b>	<b>910 291</b>

#### Speaker: PQ Mogatle

Annual remuneration	541 527	519 064
Car Allowance	95 510	95 510
Pension fund contributions	51 652	49 830
Skills development levy	4 989	4 716
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
Back pay	-	24 281
	<b>738 078</b>	<b>737 801</b>

#### Member of the mayoral committee: KF Masilabele

Annual remuneration	597 223	576 162
Pension fund contributions	48 423	46 716
Skills development levy	4 843	4 582
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
Back pay	-	22 763
	<b>694 889</b>	<b>694 623</b>

#### Member of the mayoral committee: GC Assegaai

Annual remuneration	373 216	360 056
Skills development levy	3 339	3 083
Cell phone allowance	20 400	20 400
Mobile data	1 800	1 800
Back pay	-	13 159
	<b>398 755</b>	<b>398 498</b>

#### Member of the mayoral committee: OG Monaki

Basic Salary	596 232	576 162
Pension fund contributions	49 414	46 716
Skills development levy	4 833	4 582
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
Backpay	-	22 764

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### 26. Remuneration of councillors (continued)

	694 879	694 624
<b>Member of the mayoral committee: TG Anthony</b>		
Basic salary	645 646	592 977
Skills development levy	5 650	5 059
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
Back pay	-	21 552
	<b>695 696</b>	<b>663 988</b>
<b>MPAC Chairperson: OH Kgotso</b>		
Annual remuneration	77 188	74 467
Skills development levy	778	711
Cellphone allowance	20 400	20 400
Mobile data	1 800	1 800
Back pay	-	2 722
	<b>100 166</b>	<b>100 100</b>
<b>Councillor: A Van Der Westhuizen ( Resigned on 31 January 2020)</b>		
Annual remuneration	-	110 143
Transport allowance	-	31 199
Cellphone allowance	-	23 800
Pension fund contributions	-	11 460
Skills development levy	-	1 366
Mobile data allowance	-	2 100
	<b>-</b>	<b>180 068</b>
<b>Councillor (MPAC committee member): PJ Ohentswe</b>		
Annual remuneration	214 216	205 328
Transport Allowance	37 782	37 782
Pension fund contributions	20 432	19 712
Skills development levy	2 137	1 978
Cell phone allowance	40 800	40 800
Mobile data	3 600	3 600
Back pay	-	9 605
	<b>318 967</b>	<b>318 805</b>
<b>Councillor: TF Molwagae (Resigned on 30 November 2020)</b>		
Annual remuneration	104 999	243 110
Pension fund contributions	8 514	19 712
Skills development levy	719	2 041
Cell phone allowance	17 000	40 800
Mobile data	1 500	3 600
Back pay	-	9 605
	<b>132 732</b>	<b>318 868</b>
<b>Councillor: KR Paul</b>		
Annual remuneration	188 430	103 020
Transport allowance	84 000	7 000
Skills development levy	2 400	710
Cell phone allowance	40 800	17 000
Mobile allowance	3 600	1 500
Back pay	-	3 492
	<b>319 230</b>	<b>132 722</b>

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**26. Remuneration of councillors (continued)**

**Councillor: KS Setlhodi (Appointed on 1 December 2020)**

Annual remuneration	129 404	-
Pension fund contribution	6 811	-
Skills development levy	634	-
Cell phone allowance	22 100	-
Mobile data	1 950	-
Back pay	14 447	-
	<b>175 346</b>	-

**27. Depreciation and amortisation**

Property, plant and equipment	3 181 854	3 382 930
Intangible assets	667 299	670 942
	<b>3 849 153</b>	<b>4 053 872</b>

**28. Finance costs**

Unwinding cost - DBSA	16 560	-
Interest on overdue accounts	79 696	4 037
Finance leases	51 105	154 214
Non-current borrowings	59 992	90 458
Interest on employee benefit obligations	374 000	410 631
	<b>581 353</b>	<b>659 340</b>

**29. Debt impairment**

Additional amounts impaired	113 755	109 096

**30. Transfers and subsidies**

Bursaries to non-employees	78 115	289 039

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### 31. Operational costs

Advertising	400 870	155 145
Auditors remuneration	2 686 883	2 500 714
Bank charges	138 668	114 144
Business Advisory Services	3 690 691	3 339 422
Maintenance of Equipment	564 450	673 576
Catering	800 968	593 457
Hire	86 315	8 696
Insurance premiums	1 639 048	1 100 156
Community development and training	36 360	-
Conferences and seminars	380 726	414 344
IT expenses	3 157 914	5 321 782
Legal fees	2 332 575	883 463
Call centre - disaster management	1 112 462	543 522
Municipal services	1 336 911	1 253 461
Postage and Courier Services	288	3 048
Printing and stationery	17 619	107 427
Inventory Consumed	571 367	566 634
Repairs of community owned properties	1 194 667	1 256 594
Security services	1 367 094	1 380 918
Staff welfare	-	1 348
Membership fees	744 780	762 489
Telephone	540 181	560 159
Travel, subsistence and accommodation	3 144 280	4 664 928
Water quality monitoring	41 080	27 857
Uniforms	119 183	172 230
Study assistance	84 535	74 979
Training and Professional fees	2 648 155	3 526 556
Imbizo events	14 961	15 200
Cleaning Services	1 885 844	1 452 213
Communications	5 520	17 456
Capacity building	243 520	358 619
	<b>30 987 915</b>	<b>31 850 537</b>

### 32. Gain/(Loss) on disposal of asset

Property, plant and equipment	(167 991)	(209 832)
Intangible assets	(29 983)	-
	<b>(197 974)</b>	<b>(209 832)</b>

### 33. Fair value adjustments

Fair value adjustment on Investment property	10 000	550 000
Fair value adjustment on Biological assets	1 090 725	(963 623)
	<b>1 100 725</b>	<b>(413 623)</b>

### 34. Gains/(Loss) on biological assets

Gains/(Loss) on biological assets	1 393 201	(296 519)
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### 35. Cash generated from operations

Surplus (deficit)	4 375 243	(1 264 384)
<b>Adjustments for:</b>		
Depreciation and amortisation	3 849 153	4 053 872
Disposal of biological assets	-	548 007
Donations	(4 395 670)	-
Gain/Loss on disposal of assets	197 974	-
Fair value adjustments	(1 100 725)	413 623
Gains/(Loss) on biological assets	(1 393 201)	-
Debt impairment	113 755	109 096
Movements in retirement benefit assets and liabilities	1 440 000	(174 088)
Asset write-offs	-	209 799
<b>Changes in working capital:</b>		
Inventories	(530 551)	1 886
Receivables from exchange transactions	774 687	2 248 952
Payables from exchange transactions	1 667 541	1 786 766
VAT	(828 396)	205 711
Unspent conditional grants and receipts	1 530 096	(64 282)
	<b>5 699 906</b>	<b>8 074 958</b>

### 36. Contingencies

#### Matters disclosed in 2021

- Case No: JS229/17: Imatu obo Rossouw & Van Der Westhuizen V John Taolo Gaetsewe Municipality, alleged unfair labour amounting to R66 676.65.
- Case No: JR1464/17: Mathabathe V John Taolo Gaetsewe Municipality, alleged unfair dismissal amounting to R119 259.20.
- Zitshunele V John Taolo Gaetsewe District Municipality, litigation claim which could amount to a total cost of R2 314 603.79 including legal costs.
- The municipality is in a dispute with SEBATA, with regards to the invoices raised for the periods April 2018, May 2018, September 2018, October 2018, January 2019, March 2019 and November 2019 which amount to R2 537 480.84. The dispute was as a result of the service provider failing to submit progress reports to the municipality to substantiate the work that was being billed for. As at 30 June 2021, the service provider had not provided the progress reports to this regard. The municipality also engaged Treasury to ensure that they are aware of the dispute and to intervene. The liability due to the service provider could therefore not be measured with sufficient reliability.

#### Matters disclosed in 2020:

- Case No: JS229/17: Imatu obo Rossouw & Van Der Westhuizen V John Taolo Gaetsewe Municipality, alleged unfair labour amounting to R300 000 and legal cost amounting to R150 000.
- Case No: JR1464/17: Mathabathe V John Taolo Gaetsewe Municipality, alleged unfair dismissal amounting to R100 000.
- Du Toit V John Taolo Gaetsewe District Municipality, litigation claim which could amount to a total cost of R211 485.40. This matter has been finalized, awaiting court order and an estimation of interest.
- Zitshunele V John Taolo Gaetsewe District Municipality, litigation claim which could amount to a total cost of R2 314 603.79 including legal costs.
- The municipality is in a dispute with SEBATA, with regards to the invoices raised for the periods April 2018, May 2018, September 2018, October 2018, January 2019, March 2019 and November 2019 which amount to R2 537 480.84. The dispute was as a result of the service provider failing to submit progress reports to the municipality to substantiate the work that was being billed for. As at 30 June 2020, the service provider had not provided the progress reports to this regard. The municipality also engaged Treasury to ensure that they are aware of the dispute and to intervene. The liability due to the service provider could therefore not be measured with sufficient reliability.

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### 37. Risk management

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years
Trade and other payables	4 471 887	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years
Trade and other payables	1 720 602	-

#### Credit risk

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

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

Financial instrument	2021	2020
Trade Receivables from exchange transactions	7 182 217	8 134 848

#### Market risk

##### Interest rate risk

The entity's interest rate risk arises from long-term borrowings. Borrowings arises at fixed rates, which expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. During 2021 and 2020, the entity's borrowings at variable rate were denominated in the Rand.

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

### 38. Going concern

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### 38. Going concern (continued)

These 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.

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account of R20,080.

Despite the above negative indicator, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently comply with the Constitution.

<b>Government Grants</b>		2022
Equitable Share		39 990 000
Infrastructure Skills Development Grant		3 000 000
Expanded Public Works Program		269 000
		<b>43 259 000</b>

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2020 (Equitable share, Rural roads asset management, Infrastructure skills development).

There was an outbreak of COVID-19 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared a nationwide lockdown. In spite of the COVID-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) will also be used to support salaries during this period. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseeable future.

### 39. Events after the reporting date

There were no events after reporting date.

### 40. Unauthorised expenditure

Opening balance as previously reported	4 820 073	32 030 553
	<b>4 820 073</b>	<b>32 030 553</b>
Add: Current year unauthorised expenditure	12 243 216	8 067 955
Less: Amount written off - current	-	(3 247 882)
Less: Amount written off - prior period	-	(32 030 553)
<b>Closing balance</b>	<b>17 063 289</b>	<b>4 820 073</b>

#### Analysed as follows (per vote):

Vote 2 - Finance & Administration	2 517 947	3 886 732
Vote 3 - Internal audit	3 658 732	4 060 536
Vote 4 - Planning & Development	4 657 204	-
Vote 5 - Public Safety	-	120 687
Vote 13 - Environmental Protection	1 409 333	-
	<b>12 243 216</b>	<b>8 067 955</b>

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<b>41. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	-	2 532 884
	-	<b>2 532 884</b>
Add: Current year fruitless and wasteful expenditure	4 634	3 144
Less: Amount written off by council - current	(3 668)	(3 144)
Less: Amount written off - prior period	-	(2 532 884)
<b>Closing balance</b>	<b>966</b>	<b>-</b>
The amounts disclosed for fruitless and wasteful expenditure are exclusive of VAT.		
Fruitless and wasteful expenditure not written off of R966 is under investigation.		
<b>42. Irregular expenditure</b>		
Opening balance as previously reported	217 201	20 997 814
	<b>217 201</b>	<b>20 997 814</b>
Add: Irregular Expenditure - current year	230 254	276 451
Less: Amount written off - current	-	(59 250)
Less: Amount written off - prior period	(217 201)	(20 997 814)
<b>Closing balance</b>	<b>230 254</b>	<b>217 201</b>
<b>Incidents/cases identified in the current year include those listed below</b>		
Investigations are still in progress for the incident below related to non-compliance with procurement process requirements. The amounts below are inclusive of VAT.		
Competitive bid not advertised for 30 days	230 254	217 201
<b>43. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	736 386	685 730
Amount paid - current year	(736 386)	(685 730)
	-	-
<b>Audit fees</b>		
Opening balance	1 748	-
Current year subscription / fee	2 686 883	2 500 942
Amount paid - current year	(2 688 631)	(2 499 194)
	-	<b>1 748</b>
<b>SDL and UIF</b>		
Opening balance	35 675	-
Current year subscription / fee	955 623	896 201
Amount paid - current year	(991 298)	(860 526)
	-	<b>35 675</b>

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**43. Additional disclosure in terms of Municipal Finance Management Act (continued)**

**Pension and Medical Aid Deductions**

Current year subscription / fee	9 821 337	8 907 084
Amount paid - current year	(9 821 337)	(8 907 084)
	-	-

**VAT**

VAT receivable	1 116 191	287 795

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

**44. Utilisation of Long-term liabilities reconciliation**

Long-term liabilities raised	-	703 344

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

**45. 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 Municipal Manager 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 Municipal Manager and includes a note to the annual financial statements.

The following tables shows the amounts of deviation and reasons for deviation:

**Reason for deviation**

Emergency	680 199	294 792
Sole supplier	472 503	166 500
Impractical or impossible to follow procurement process	2 066 544	2 320 858
Special works of art	30 000	-
	<b>3 249 246</b>	<b>2 782 150</b>

**46. Commitments**

**Authorised capital expenditure**

The municipality did not have any capital commitments as at 30 June 2020 and 2021.

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<b>47. Related parties</b>		
Members of key management		Refer to note 25
Councillors		Refer below and note 26
Subject to significant degree of control by a member of keymanagement		John Taolo Gaetsewe Development Trust
<b>Related party balances</b>		
<b>Amounts included in Trade receivable (Trade Payable) regarding related parties</b>		
John Taolo Gaetsewe Development Trust	12 365	5 423
<b>Irregular expenditure, interest and other amounts recoverable from councillors</b>		
T.G. Anthony	306	283
G.C. Assegaai	20 959	19 354
S.B. Gaobusiwe	187 616	173 245
O.E. Hantise	192 097	177 382
E.V. Makoke	105 697	97 601
M.E. Mochwari	230 706	213 034
C. Mogodi	203 744	188 137
S. Mosikatsi	221 769	204 782
A. Mwembo	77 070	71 166
J. Rakoi	68 825	63 553
A. van der Westhuizen	74 174	68 493

The municipality leases one of its buildings to the John Taolo Gaetsewe Development Trust; interest is charged on overdue amounts.

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### 47. Related parties (continued)

All councillors and senior managers are required to declare their business interests annually. Such business interests are listed below:

#### Councillors:

S. Mosikatsi	Gamagara Close Corporation (member) John Taolo Gaetsewe Development Trust (Trustee)
G.C. Assegaai	Gadikgadi, Self-Propelled Trading and Projects, Bomme-Sejo Services and Supply Co-operative Limited
L.L. Kaebis	Sepoane Trading Enterprise, Hemmogo
O.H. Kgopodithata	Faraway Agricultural, Refemele Multi Purpose Primary Co-operative Limited
P.Q. Mogatle	Pulane Mogatle Trading Enterprise, Queen Falicity Fuel and Truck, Bomme-Sejo Services and Supply Co-operative Limited
P. Ohentswe	PJO Contractor, Letso Investment, Perth 1 Shop Station and Shop, Ohentswe Construction supply & Training Construction, S.T.P.J. Construction and Manufacturing Mothisize, JTG Community Development Association, JTG Logistics Hiddekil Mining and Logistics
T.G. Athony	Kalahari Rural Events and Projects Co-operative Limited, Maje a Mokgothy Projects
O.G. Monaki	Tshomaki Trading and Projects, Unity and Empowerment
O. Mathibe	Nomisa Cc
G. Kaotsane	Asili ya mama, Hiddekil Mining and Logistics, SABA Logistics
L. Moagi	1974 Celesti Trading and Projects
M. Itumeleng	Candle Away General Trading, Awera General Trading
O. Gomolemo	Batlharoi Agricultural Co-operation
K Paul	Dikoke Gambling Enterprise and Manufacturing, Koklas Catering & Cleaning Services

#### Senior management:

T.H. Matlhare	Maremane Mining and Projects
D.H. Molaole	Ba - Ga - Matswiri Mining - Resource ,Moshu 1640 Mining - Resource Phimola Keledi Burial Scheme (Pty) Ltd
K. Teise	Kurara Clap Your HandKuduman Development Corporation
E. Tshabaemang	Kuruman Voice of Hope

Those councillors and senior managers not listed above declared that they had no business interests.

Councillors seconded from local municipalities:

#### Gamagara Local Municipality

A. Booyen  
H. Du Plessis  
O.E. Hantise

#### Ga-segonyana Local Municipality

G.C. Assegaai  
K. Makwati  
O. Mathibe  
N.G. Thupaemang  
O.A. Leserwane

#### Joe Morolong Local Municipality

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### 47. Related parties (continued)

L. Gwai  
L.L. Kaebis  
G. Kaotsane  
O.H. Kgopodithata

### 48. Regulation 45 of the supply chain management regulations

#### Awards to close family members of persons in the service of the state

Kuruman T-shirt House	-	27 250
Lefetlho Trading (Pty) Ltd	-	5 854 953
	-	<b>5 882 203</b>

#### Relationship:

Kuruman T-Shirt House: Shumsoniesa Langeveldt director of Kuruman T-Shirt House is a spouse to Richard Langeveldt who is employed by the Department of Education as a Teacher.

Lefetlho Trading (Pty) Ltd: Lasiwe Christabella the director of Lefetlho Trading (Pty) Ltd is a spouse to Dikago Senatle who is employed by the Department of Health as an Assistant Director.

### 49. Budget differences

#### Material differences between budget and actual amounts

#### STATEMENT OF FINANCIAL PERFORMANCE

- 1 - The municipality did not expect to receive other income.
- 2 - Revenue received from shared services was slightly lower due to COVID-19 restrictions.
- 3 - Interest received was more than anticipated.
- 4 - The municipality did not expect to receive any donations.
- 5 - The interest for leases, loans and employee benefit obligations were not calculated properly for the budget purposes.
- 6 - The movement in debt impairment is more than what was anticipated.
- 7 - Less bursaries were awarded than anticipated.
- 8 - There were more write-offs than anticipated.
- 9 - There was no budgeted amount for this line item, as the nature of the valuation requires an expert.
- 10 - There was no budgeted amount for this line item, as the nature of the valuation requires an expert.

#### STATEMENT OF FINANCIAL POSITION

- 11 - Due to the current economic climate the municipality anticipated an increase in the receivable.
- 12 - The Municipality did not budget for this line item as it is difficult to determine if VAT will be a receivable or payable.
- 13 - A higher cash/bank balance was expected.
- 14 - The fair value gain was more than anticipated.
- 15 - More additions were expected to be made.
- 16 - The municipality did not expect to repay all of the long term debt in the current year.
- 17 - Payables vary in operational activity, however a decrease in creditors was anticipated with the improved cash flow of the municipality.
- 18 - No unspent portion was anticipated.
- 19 - The municipality over budget for this line item, as at requires the expertise of actuaries.
- 20 - The increase in profit was not aligned with the increase in the accumulated surplus.



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### 50. Prior-year adjustments

Presented below are those items contained in the statement of financial position, that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2020

	Note	As previously reported	Correction of error	Restated
Statutory receivables		283 852	3 943	287 795
Property, plant and equipment	10	78 060 067	(103 304)	77 956 763
Payables from exchange transactions		(10 701 335)	(327 025)	(11 028 360)
Accumulated surplus		(35 500 806)	426 385	(35 074 421)

#### Statement of financial performance

##### 2020

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation		(4 079 344)	25 472	(4 053 872)
Finance costs		(658 447)	(893)	(659 340)
Transfers and subsidies		(208 498)	(80 541)	(289 039)
Operational costs		(31 852 732)	2 195	(31 850 537)
Loss on disposal of assets		(81 056)	(128 776)	(209 832)
		<b>(36 880 077)</b>	<b>(182 543)</b>	<b>(37 062 620)</b>

Prior period balances were restated as a result of the following:

Statutory receivables was restated by R 3 943 as a result of invoices not captured with the correct VAT amount, this also resulted in a restatement of operating expenditure.

Property, plant and equipment was restated by R 103 304 as a result of an asset that was written off, but still on the asset register, this also resulted in a restatement of depreciation and gains/(losses) on disposal of assets.

Payables from exchange transactions was restated by R 327 025 as a result of an opening balance adjustment on the leave accrual and interest and bursary fees not captured, this also resulted in a restatement of transfers and subsidies and finance cost.

Accumulated surplus was restated by R 426 385 as a result of invoices not captured with the correct VAT amount, an asset that was written off, but still on the asset register, an opening balance adjustment on the leave accrual and interest not captured.

#### Errors

The following prior period errors adjustments occurred:

#### Unauthorised expenditure

Unauthorised expenditure was understated by R4,820,073 in the 2019/20 financial year, resulting in the movement for the current year unauthorised expenditure to be adjusted from R3,247,822 to R8,067,955.

### 51. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 108 - Statutory receivables

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2020 is as follows:

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**51. Changes in accounting policy (continued)**

**Statement of financial position**

**VAT receivable**

Previously stated	-	283 852
Adjustment	-	(283 852)
	-	-

**Statutory receivables**

Previously stated	1 116 191	-
Adjustment	-	283 852
Prior period error adjustment	-	3 943
	<b>1 116 191</b>	<b>287 795</b>