ZF MGCAWU DISTRICT
Municipality

2020 / 2021

[These financial statements have been audited]

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021

ZF MGCAWU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

INDEX

ABBREVIATIONS

ZFM	ZF Mgcawu District Municipality
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education & Training Authority
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
MSIG	Municipal System Improvement grant
FMG	Financial Management Grant
RRAMS	Rural Roads Asset Management Systems Grant
EPWP	Expanded Public Works Programme Integrated Grant

GENERAL INFORMATION

EXECUTIVE MAYOR
P.M. Mgcera

SPEAKER
M.C. BASSON

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor:	P.M. Mgcera
Councillors:	M.C. Basson
	A. Matshimo
	M. Bosman-Maasdorp
	M. Daniels

GRADING OF THE LOCAL AUTHORITY
Grade 3

AUDITORS

External:	Auditor General: Kimberley
Internal:	ZF Mgcawu District Municipality Internal Audit Unit

PRIMARY BANKER
ABSA

REGISTERED OFFICE
c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

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MUNICIPAL MANAGER
MR. J.G. Lategan

ACTING CHIEF FINANCIAL OFFICER
MR. J.A. Kitching

GENERAL INFORMATION (continued)

REVIEW OF FINANCIAL STATEMENTS

The Annual Financial Statements were reviewed by the Audit Committee, Internal Audit Unit, MPAC and Management before it was approved by the Municipal Manager.

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 3 to 131, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the District Municipality.

These Annual Financial Statements will be presented to the Council for information on 31 August 2021.

MR. J.G. LATEGAN
MUNICIPAL MANAGER
31 August 2021

MEMBERS OF COUNCIL

NAME	POSITION	PARTY	PERIOD
P.M. Mgcera	Executive Mayor	ANC	Commencement: 11/03/2020
M.C. Basson	Speaker	ANC	Commencement: 21/04/2021
M.L. Moalosi	Speaker	ANC	Commencement: 07/08/2016 Resigned: 05/03/2021
A. Matshimo	Mayoral Committee	ANC	Commencement: 24/01/2020
M. Bosman-Maasdorp	Mayoral Committee	ANC	Commencement: 11/03/2020
K. Esau	Mayoral Committee	ANC	Commencement: 29/04/2021
J. Lodewyk	Mayoral Committee	ANC	Commencement: 01/02/2021
M.C. Basson	Mayoral Committee	ANC	Commencement: 30/08/2019 Resigned: 20/04/2021
M. Daniels	Mayoral Committee	ANC	Commencement: 30/08/2019 Resigned: 31/01/2021
P.M. Mgcera	Mayoral Committee	ANC	Commencement: 29/11/2018 Resigned: 10/03/2020
A. De Bruin	Direct Elected Councillor	COPE	Commencement: 01/06/2014
F.L. Witbooi	Direct Elected Councillor	DA	Commencement: 07/08/2016
M.H.B. Van Zyl	Direct Elected Councillor	DA	Commencement: 23/03/2017
J. Lodewyk	Direct Elected Councillor	ANC	Commencement: 02/02/2017 Resigned: 31/01/2021
S. Dubeni	Section 79 Committee	ANC	Commencement: 07/08/2016
E. Fritz	Councillor	ANC	Commencement: 23/04/2021
C.F.P. Maasdorp	Councillor	DA	Commencement: 01/07/2021
W.D. Klim	Councillor	ANC	Commencement: 07/08/2016 Resigned: 22/04/2021
A.R. Davids	Councillor	STC	Commencement: 01/08/2018 Resigned: 25/09/2020
D. Esau	Councillor	STC	Commencement: 26/02/2021
M. Daniels	Councillor	ANC	Commencement: 01/02/2021
S. Esau	Councillor	ANC	Commencement: 07/08/2016
N. Prins	Councillor	KCF	Commencement: 30/05/2019
B. Bock	Councillor	ANC	Commencement: 03/06/2011
P.T. van der Steen	Councillor	DA	Commencement: 16/08/2019
H. Ross	Councillor	EFF	Commencement: 30/08/2018
S. Sandlana	Councillor	DA	Commencement: 30/08/2019
F. Olifant	Councillor	ANC	Commencement: 29/09/2020

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 43246 dated 24/04/2020. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

MR. J.G. LATEGAN
MUNICIPAL MANAGER
31 August 2021

FOREWORD

It is my pleasure to present the 2020/2021 Annual Financial Statements of the ZF Mgcawu District Municipality. We could not have anticipated the devastating impact that the global COVID-19 pandemic had on our communities, our economy and our municipalities. On a national scale the lockdowns, the continued limitations and job losses throughout the financial year has affected operational and capital expenditure and the collection of revenue.

The ZF Mgcawu District Municipality performed admirably well during the 2019/2020 financial year by obtaining its 7th clean audit despite the continued difficult economic conditions as well as the complex social environment that the Local Government had to operate in. The attainment of this clean audit can only be attributed to ensuring adherence to the basic principles of accountability, strong internal control measures and good governance. We have proven that with a sterling record of good governance, sound financial management, a stable leadership structure and a well-functioning Council and Administration a lot can be achieved.

The 2020/2021 financial year marks the end of the term of office for the current Municipal Councils. It is our responsibility to continue with our work until the next Local Government elections take place. This model of allowing uninterrupted and seamless transfer of power from the old to the new signifies the nature of our dynamic and vibrant systems of democracy and governance.

COVID-19 is a societal pandemic that has negatively impacted the country's economic and social activities, but more so Covid-19 has exposed the inequalities that exist for millions of South Africans with families struggling to survive. As the government, we must actively work towards the eradication of the triple challenges of poverty, inequality and unemployment which are still prevalent two decades into democracy. We should not stop working to ensure that we improve the lives of our people.

I would like to thank all the Councillors, the Mayoral Committee, and the Municipal Public Accounts Committee (MPAC) for their effective oversight of the District Municipality's operations. My sincere thanks to the Management and staff for your contribution, proactive approach, and diligence to serve the District Municipality.

I also have to express my gratitude to the external Audit, Risk and Performance Committee for their guidance and oversight role.

CLLR. P.M MGCERA
EXECUTIVE MAYOR
31 August 2021

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on ZF Mgcawu District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the ZF Mgcawu District Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ZF Mgcawu District Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No.4 of 2020) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Irregular expenditure

8. As disclosed in note 35.3 to the financial statements, the municipality incurred irregular expenditure of R3 040 507 (2019-20: R4 130 152), as it did not follow proper procurement processes.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes (MFMA 125)

10. In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, we do not express an opinion on it.

Unaudited supplementary schedules (ISA 700.53)

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora and for such internal controls as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2021:

Objectives	Pages in the annual performance report
Objective 2 – To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B municipalities	x – x

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not identify material findings on the usefulness and reliability of the reported performance information for the following objective:

    - Objective 2 – To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B municipalities

Report on the audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

23. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

26. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary

Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor General

Kimberley

30 November 2021

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
   - conclude on the appropriateness of the accounting officer use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the ZF Mgcawu District Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of ZF Mgcawu District Municipality ending 30 June 2021.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2020/21 financial period is set out in Directive 5 issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2021 indicates a decrease in Non-Current Assets, an increase in Current Assets, an increase in Non-Current Liabilities and a decrease in Current Liabilities.

The decrease in Non-Current Assets is primarily as a result of the decrease in the Property, Plant and Equipment due to Depreciation & Amortisation. The increase in Current Assets is primarily as a result of the increase in Cash and Cash Equivalents.

The increase in Non-Current Liabilities is primarily as a result of the increase in the Employee Benefit Liabilities. The decrease in Current Liabilities is primarily as a result of the decrease in Payables from Exchange Transactions.

2. mSCOA IMPLEMENTATION PLAN

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

3. KEY FINANCIAL INDICATORS

The following indicators are the key indicators and is a comparison to prior year figures. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the District Municipality.

Financial Statement Ratios:

INDICATOR	2021 R	2020 R
Surplus / (Deficit) before Appropriations	374 512	95 071
Surplus / (Deficit) at the end of the Year	(21 652 980)	(22 027 492)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	74.41%	69.27%
Remuneration of Councillors	4.91%	4.86%
Depreciation and Amortisation	0.97%	1.16%
Impairment Losses	0.02%	0.47%
Interest and Rent on Land	0.06%	0.16%
Contracted Services	6.99%	7.46%
Inventory Consumed	0.57%	0.41%
Transfers and Subsidies Paid	0.73%	0.58%
Operating Leases	1.15%	1.23%
Operational Costs	10.00%	13.43%
Loss on Disposal of Capital Assets	0.19%	0.96%

REPORT OF THE CHIEF FINANCIAL OFFICER

4. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R840 613 (2019/20: R166 783). Full details of Assets are disclosed in Notes 7, 8 and Appendices "B and C" to the Annual Financial Statements.

The capital expenditure of R840 613 was financed as follows:

DETAILS	Actual 2020/21 R	Actual 2019/20 R	Percentage Variance %	Budgeted 2020/21 R	Variance actual/ budgeted %
Finance Leases	-	-	-	-	-
Grants and Subsidies	90 344	-	100.00	-	100.00
Own Funds (Accumulated Surplus)	750 269	166 783	349.85	1 062 000	(29.35)
	840 613	166 783	404.02	1 062 000	(20.85)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2021 %	2020 %
Finance Leases	-	-
Grants and Subsidies	10.75%	-
Own Funds (Accumulated Surplus)	89.25%	100.00%
	100.00%	100.00%

6. RECONCILIATION OF BUDGET TO ACTUAL

6.1 Operating Budget:

DETAILS	2021 R	2020 R
Variance per Category:		
Budgeted surplus before appropriations	2 315 622	1 201 504
Revenue variances	(3 086 851)	(308 158)
Expenditure variances:		
Employee Related Costs	45 950	(1 160 795)
Remuneration of Councillors	19 581	318
Depreciation and Amortisation	119 012	8 532
Impairment Losses	11 863	999
Interest and Rent on Land	9 086	4 227
Contracted Services	121 701	14 206
Inventory Consumed	326 486	250 098
Transfers and Subsidies Paid	3 841	2 027
Operating Leases	33 922	15 127
Operational Costs	7 603	66 035
Loss on Disposal of Capital Assets	446 695	952
Actual surplus before appropriations	374 512	95 071

REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2021 R	2020 R
Variance per Service Segment:		
Budgeted surplus before appropriations	2 315 622	1 201 504
Executive and Council	(239 933)	(191 955)
Finance and Administration (incl Bad Debt)	(1 567 053)	(984 069)
Internal Audit	166 824	11 353
Public Safety	(207 038)	954
Health	6 808	8 529
Planning and Development	11 746	233 327
Other	96 840	15 828
Add: Gains and Losses	(209 305)	(200 401)
Actual surplus before appropriations	374 512	95 071

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

6.2 Capital Budget:

DETAILS	Actual 2020/21 R	Actual 2019/20 R	Variance actual 2016/17 R	Budgeted 2020/21 R	Variance actual/ budgeted R
Executive and Council	735 126	13 217	721 909	737 000	(1 874)
Finance and Administration	81 813	141 632	(59 819)	310 000	(228 187)
Internal Audit	-	1 978	(1 978)	-	-
Planning and Development	23 674	-	23 674	15 000	8 674
	840 613	166 783	673 830	1 062 000	(221 387)

Details of the results per segmental classification of capital expenditure are included in Appendix "C".

7. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2021 amounted to R21 652 980 (30 June 2020: R22 027 492) and is made up as follows:

	2021 R	2020 R
Accumulated Surplus	(21 652 980)	(22 027 492)
	(21 652 980)	**(22 027 492)**

Refer to Note 15 and the Statement of Change in Net Assets for more detail.

REPORT OF THE CHIEF FINANCIAL OFFICER

8. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2021 was R33 039 (30 June 2020: R160 902) and is made up as follows:.

	2021 R	2020 R
Finance Lease Liability	-	82 592
Operating Lease Liability	33 039	78 310
	33 039	**160 902**

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018, ending 30 September 2021. The effective interest rate on Finance Leases is 19.4%.

Refer to Note 13 and Appendix "A" for more detail.

9. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R32 786 000 as at 30 June 2021 (30 June 2020: R30 492 000) and is made up as follows:

		2021 R	2020 R
Post-retirement Health Care Benefits Liability	Note 14	26 495 000	23 957 000
Long Service Awards Liability	Note 14	6 291 000	6 535 000
		32 786 000	**30 492 000**

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the District Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 14 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R13 060 106 as at 30 June 2021 (30 June 2020: R13 902 037) and is made up as follows:

		2021 R	2020 R
Provisions	Note 10	3 473 207	2 807 546
Payables from Exchange Transactions	Note 11	8 970 324	10 517 649
Unspent Conditional Grants and Receipts	Note 12	533 983	283 533
Current Portion of Long-term Liabilities	Note 13	82 592	293 310
		13 060 106	**13 902 037**

Current Liabilities are those liabilities of the District Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the District Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

REPORT OF THE CHIEF FINANCIAL OFFICER

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R20 358 109 as at 30 June 2021 (30 June 2020: R20 329 786).
Refer to Note 7, and Appendices B and C for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R137 347 as at 30 June 2021 (30 June 2020: R266 989).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the District Municipality in order to be able to fulfil its duties as far as service delivery is concerned.
Refer to Note 8 and Appendix "B" for more detail.

13. LONG-TERM RECEIVABLES

Long-term Receivables of R14 297 at 30 June 2021 (30 June 2020: R18 633) is made up as follows:

		2021 R	2020 R
Finance Lease Receivable	Note 9	14 374	16 309
Staff Related Long Term Receivables	Note 9	6 325	11 225
Maternity Leave Debtor		5 923	8 324
Acting Allowance Debtors		402	2 902
		20 699	**27 534**
Less: Short-term portion included in Current Assets	Note 9	(6 402)	(8 902)
		14 297	**18 633**

The decrease in the amount for Long-term Receivables is due to recovery of outstanding debtors during 2020/21 financial year.
Refer to Note 9 for more detail.

14. CURRENT ASSETS

Current Assets amounted R3 716 411 as at 30 June 2021 (30 June 2020: R1 912 039) and is made up as follows:

		2021	2020
Receivables from Exchange Transactions	Note 2	353 292	290 825
Receivables from Non-exchange Transactions	Note 3	121 515	-
VAT Receivable	Note 4	953 999	590 745
Cash and Cash Equivalents	Note 5	2 281 203	1 021 568
Current Portion of Long-term Receivables	Note 6	6 402	8 902
		3 716 411	**1 912 039**

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The District Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.
Refer to Notes 12 and 16, and Appendix "F" for more detail.

REPORT OF THE CHIEF FINANCIAL OFFICER

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 46.

17. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

MR. J.A. KITCHING
ACTING CHIEF FINANCIAL OFFICER
31 August 2021

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Note	Actual 2021 R	Actual 2020 Restated R
ASSETS			
Current Assets		**3 716 411**	**1 912 039**
Receivables from Exchange Transactions	**2**	353 292	290 825
Receivables from Non-exchange Transactions	**3**	121 515	-
VAT Receivable	**4**	953 999	590 745
Cash and Cash Equivalents	**5**	2 281 203	1 021 568
Current Portion of Long-term Receivables	**6**	6 402	8 902
Non-Current Assets		**20 509 753**	**20 615 408**
Property, Plant and Equipment	**7**	20 358 109	20 329 786
Intangible Assets	**8**	137 347	266 989
Long-term Receivables	**9**	14 297	18 633
Total Assets		**24 226 165**	**22 527 447**
LIABILITIES			
Current Liabilities		**13 060 106**	**13 902 037**
Provisions	**10**	3 473 207	2 807 546
Payables from Exchange Transactions	**11**	8 970 324	10 517 649
Unspent Conditional Grants and Receipts	**12**	533 983	283 533
Current Portion of Long-term Liabilities	**13**	82 592	293 310
Non-Current Liabilities		**32 819 039**	**30 652 902**
Long-term Liabilities	**13**	33 039	160 902
Employee Benefit Liabilities	**14**	32 786 000	30 492 000
Total Liabilities		**45 879 145**	**44 554 940**
Total Assets and Liabilities		**(21 652 980)**	**(22 027 492)**
NET ASSETS		**(21 652 980)**	**(22 027 492)**
Accumulated Surplus / (Deficit)	**15**	(21 652 980)	(22 027 492)
Total Net Assets		**(21 652 980)**	**(22 027 492)**

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual 2021 R	2020 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	**16**	80 137 977	77 494 020
Impairment Gains	**23**	-	454 648
Revenue from Exchange Transactions			
Rental from Fixed Assets	**17**	2 078	3 893
Interest and Rent on Land Earned	**18**	562 869	726 457
Operational Revenue	**19**	542 225	685 113
Total Revenue		**81 245 149**	**79 364 131**
EXPENDITURE			
Employee Related Costs	**20**	60 176 818	54 909 455
Remuneration of Councillors	**21**	3 974 721	3 850 177
Depreciation and Amortisation	**22**	785 628	921 108
Impairment Losses	**23**	13 137	373 484
Interest and Rent on Land	**24**	48 814	127 773
Contracted Services	**25**	5 650 804	5 912 789
Inventory Consumed	**26**	458 807	328 485
Transfers and Subsidies Paid	**27**	594 159	462 173
Operating Leases	**28**	926 678	977 874
Operational Costs	**29**	8 084 767	10 648 346
Loss on Disposal of Capital Assets	**30**	156 305	757 395
Total Expenditure		**80 870 637**	**79 269 060**
SURPLUS / (DEFICIT) FOR THE YEAR		**374 512**	**95 071**

Refer to Budget Statement for explanation of budget variances (page 21 - 35)

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

Description	Share Premium	Total Reserves and Funds	Accumulated Surplus	Total Net Assets
	R	R	R	R
2020				
Balance at 30 June 2019	-	-	(22 130 051)	(22 130 051)
Correction of Error (Note 32)		-	7 488	7 488
Restated Balance at 30 June 2019	**-**	**-**	**(22 122 563)**	**(22 122 563)**
Published Surplus / (Deficit) for the year		-	189 749	189 749
Correction of Error (Note 32)	-	-	(94 678)	(94 678)
Restated Balance at 30 June 2020	**-**	**-**	**(22 027 492)**	**(22 027 492)**
2021				
Surplus / (Deficit) for the year		-	374 512	374 512
Balance at 30 June 2021	**-**	**-**	**(21 652 980)**	**(21 652 980)**

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual 2021 R	2020 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Subsidies		80 388 427	77 315 264
Rental from Fixed Assets	**17**	2 078	3 893
Interest and Rent on Land Earned	**18**	562 869	726 457
Other Receipts		(15 648)	201 751
Payments			
Employee Related Costs		(57 297 818)	(53 794 380)
Remuneration of Councillors	**21**	(3 974 721)	(3 850 177)
Interest and Rent on Land Paid	**24**	(48 814)	(127 773)
Suppliers Paid		(8 583 614)	(8 082 006)
Other Payments		(8 643 536)	(12 285 913)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**2 389 224**	**107 114**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**7**	(840 613)	(166 783)
Purchase of Intangible Assets	**8**	-	-
Proceeds on Disposal of Property, Plant and Equipment	**30**	-	43 279
Decrease / (Increase) in Long-term Receivables		4 335	3 046
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(836 278)**	**(120 458)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		-	-
Repayment of Borrowings		(293 310)	(241 720)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(293 310)**	**(241 720)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1 259 636**	**(255 063)**
Cash and Cash Equivalents at Beginning of Period		1 021 568	1 276 631
Cash and Cash Equivalents at End of Period	**5**	2 281 203	1 021 568

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION												
Current Assets												
Receivables from Exchange Transactions	413 512	-	413 512	909 298	1 322 810	-	1 322 810	353 292	-	(969 518)	26.71	85.44
Receivables from Non-exchange Transactions	-	-	-	-	-	-	-	121 515	-	121 515	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	953 999	-	953 999	0.00	0.00
Cash and Cash Equivalents	1 005 767	2 550	1 008 317	441 276	1 449 593	-	1 449 593	2 281 203	-	831 610	157.37	226.81
Current Portion of Long-term Receivables	15 563	-	15 563	-	15 563	-	15 563	6 402	-	(9 161)	41.14	41.14
		-				-						
Non-Current Assets		-				-						
Property, Plant and Equipment	23 000 980	30 000	23 030 980	(438 000)	22 592 980	-	22 592 980	20 358 109	-	(2 234 871)	90.11	88.51
Intangible Assets	747 161	-	747 161	(350 000)	397 161	-	397 161	137 347	-	(259 814)	34.58	18.38
Long-term Receivables	21 680	-	21 680	-	21 680	-	21 680	14 297	-	(7 383)	65.95	65.95
Total Assets	25 204 663	32 550	25 237 213	562 574	25 799 787	-	25 799 787	24 226 165	-	(1 573 622)	93.90	96.12
Current Liabilities												
Provisions	2 486 925	-	2 486 925	(100 000)	2 386 925	-	2 386 925	3 473 207	-	1 086 282	145.51	139.66
Payables from Exchange Transactions	6 976 544	2 198 967	9 175 511	(306 844)	8 868 667	-	8 868 667	8 970 324	-	101 657	101.15	128.58
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	533 983	-	533 983	0.00	0.00
Current Portion of Long-term Liabilities	293 310	-	293 310	-	293 310	-	293 310	82 592	-	(210 718)	28.16	28.16
Non-Current Liabilities												
Long-term Liabilities	128 263	-	128 263	-	128 263	-	128 263	33 039	-	(95 224)	25.76	25.76
Employee Benefit Liabilities	22 723 739	-	22 723 739	6 518 750	29 242 489	-	29 242 489	32 786 000	-	3 543 511	112.12	144.28
Total Liabilities	32 608 781	2 198 967	34 807 748	6 111 906	40 919 654	-	40 919 654	45 879 145	-	4 959 491	112.12	140.70
Total Assets and Liabilities	**(7 404 118)**	**(2 166 417)**	**(9 570 535)**	**(5 549 332)**	**(15 119 867)**	**-**	**(15 119 867)**	**(21 652 980)**	**-**	**(6 533 113)**	**0.00**	**0.00**
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	(7 404 118)	(2 166 417)	(9 570 535)	(5 549 332)	(15 119 867)	-	(15 119 867)	(21 652 980)	-	(6 533 113)	0.00	0.00
Total Net Assets	**(7 404 118)**	**(2 166 417)**	**(9 570 535)**	**(5 549 332)**	**(15 119 867)**	**-**	**(15 119 867)**	**(21 652 980)**	**-**	**(6 533 113)**	**0.00**	**0.00**

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

VAT Receivables budget is included in Receivables from Exchange Transactions. The VAT Receivable budget amount anticipated was under budgeted for.

Receivables from Non-exchange Transactions:

Relates to UIF expenditure debtors and was not budgeted for.

VAT Receivable:

VAT Receivables budget is included in Receivables from Exchange Transactions.

Cash and Cash Equivalents:

The budget amount was under budgeted for due to cost containment measures during COVID-19.

Current Portion of Long-term Receivables:

Budgeted figures were not updated with the latest amortisation tables.

Property, Plant and Equipment:

Did not budget for assets written off.

Intangible Assets:

ZFM included additions as budgeted for but did not realise due to procurement challenges.

Long-term Receivables:

Budgeted figures were not updated with the latest amortisation tables.

Provisions:

Only budgeted for Leave Accrual. Budgeted amount of short-term portion of PEMA and LSA included under Non-Current Employee Benefit Liabilities.

Unspent Conditional Grants and Receipts:

ZFM did not budget for Unspent Conditional Grants and Receipts as it was anticipated that all grants will be spent.

Long-term Liabilities:

Budgeted figures were not updated with the latest amortisation tables.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE												
Revenue from Non-exchange Transactions												
Transfers and Subsidies	79 259 000	1 832 000	81 091 000	-	81 091 000	-	81 091 000	80 137 977	-	(953 023)	98.82	101.11
Impairment Gains	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Revenue from Exchange Transactions												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	2 078	-	(7 922)	20.78	20.78
Interest and Rent on Land Earned	900 000	-	900 000	-	900 000	-	900 000	562 869	-	(337 131)	62.54	62.54
Operational Revenue	1 675 000	-	1 675 000	-	1 675 000	-	1 675 000	542 225	-	(1 132 775)	32.37	32.37
Gains on Disposal of Capital Assets	656 000	-	656 000	-	656 000	-	656 000	-	-	(656 000)	0.00	0.00
Total Revenue	82 500 000	1 832 000	84 332 000	-	84 332 000	-	84 332 000	81 245 149	-	(3 086 851)	96.34	98.48
Expenditure												
Employee Related Costs	53 633 322	(288 500)	53 344 822	1 233 375	54 578 197	5 644 571	60 222 768	60 176 818	-	(45 950)	99.92	112.20
Remuneration of Councillors	3 808 384	-	3 808 384	(35 082)	3 773 302	221 000	3 994 302	3 974 721	-	(19 581)	99.51	104.37
Depreciation and Amortisation	594 640	-	594 640	-	594 640	310 000	904 640	785 628	-	(119 012)	86.84	132.12
Impairment Losses	25 000	-	25 000	-	25 000	-	25 000	13 137	-	(11 863)	52.55	52.55
Interest and Rent on Land	-	-	-	47 900	47 900	10 000	57 900	48 814	-	(9 086)	84.31	0.00
Contracted Services	6 055 949	272 000	6 327 949	(742 534)	5 585 415	187 090	5 772 505	5 650 804	-	(121 701)	97.89	93.31
Inventory Consumed	785 043	106 450	891 493	71 800	963 293	(178 000)	785 293	458 807	-	(326 486)	58.42	58.44
Transfers and Subsidies Paid	215 000	40 000	255 000	(80 000)	175 000	423 000	598 000	594 159	-	(3 841)	99.36	276.35
Operating Leases	1 100 000	-	1 100 000	(47 900)	1 052 100	(91 500)	960 600	926 678	-	(33 922)	96.47	84.24
Operational Costs	13 738 993	368 467	14 107 460	511 071	14 618 531	(6 526 161)	8 092 370	8 084 767	-	(7 603)	99.91	58.85
Loss on Disposal of Capital Assets	603 000	-	603 000	-	603 000	-	603 000	156 305	-	(446 695)	25.92	25.92
Total Expenditure	80 559 331	498 417	81 057 748	958 630	82 016 378	-	82 016 378	80 870 637	-	(1 145 741)	98.60	100.39
Surplus/(Deficit for the Year	**1 940 669**	**1 333 583**	**3 274 252**	**(958 630)**	**2 315 622**	**-**	**2 315 622**	**374 512**	**-**	**(1 941 110)**	**16.17**	**19.30**

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Rental from Fixed Assets

Budgeted figures were not updated with the latest amortisation tables.

Interest and Rent on Land Earned

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Operational Revenue:

Over budget for funds received from LGSETA.

Gains on Disposal of Capital Assets:

Budgeted for revenue from auction which did not take place during the year due to COVID-19.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION												
Executive and Council	700 000	30 000	730 000	(18 000)	712 000	25 000	737 000	735 126	-	(1 874)	99.75	105.02
Finance and Administration	870 000	-	870 000	(870 000)	-	310 000	310 000	81 813	-	(228 187)	26.39	9.40
Planning and Development	250 000	-	250 000	100 000	350 000	(335 000)	15 000	23 674	8 674	8 674	157.83	9.47
Total Capital Expenditure	**1 820 000**	**30 000**	**1 850 000**	**(788 000)**	**1 062 000**	**-**	**1 062 000**	**840 613**	**8 674**	**(221 387)**	**79.15**	**46.19**

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Finance and Administration:

ZFM included additions as budgeted for but did not realise due to procurement challenges.

Planning and Development:

Budgeted under Finance and Administration.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW												
Cash Flows from/(used in) Operating Activities												
Transfers and Subsidies	79 259 000	1 832 000	81 091 000	-	81 091 000	-	81 091 000	80 388 427		(702 573)	99.13	101.42
Rental from Fixed Assets	-	-	-	-	-	-	-	2 078		2 078	0.00	0.00
Interest and Rent on Land Earned	900 000	(900 000)	-	900 000	900 000	-	900 000	562 869		(337 131)	62.54	62.54
Other Receipts	1 690 000	(5 000)	1 685 000	-	1 685 000	-	1 685 000	(15 648)		(1 700 648)	0.00	0.00
Employee Related Costs	(79 121 691)	(498 417)	(79 620 108)	78 120 108	(1 500 000)	-	(1 500 000)	(57 297 818)		(55 797 818)	3 819.85	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(3 974 721)		(3 974 721)	0.00	0.00
Interest and Rent on Land Paid	-	-	-	-	-	-	-	(48 814)		(48 814)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	-	(8 583 614)		(8 583 614)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(8 643 536)		(8 643 536)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(1 820 000)	(30 000)	(1 850 000)	788 000	(1 062 000)	-	(1 062 000)	(840 613)		221 387	79.15	0.00
Proceeds on Disposal of PPE	-	-	-	-	-	-	-	-		-	0.00	0.00
Decrease / (Increase) in Long-term Receivable	-	-	-	-	-	-	-	4 335		4 335	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Repayment of Borrowings	(293 310)	586 620	293 310	(293 310)	-	-	-	(293 310)		(293 310)	0.00	0.00
Cash and Cash Equivalents at End of the Ye	**613 999**	**985 203**	**1 599 202**	**79 514 798**	**81 114 000**	**-**	**81 114 000**	**1 259 636**	**-**	**(79 854 364)**	**1.55**	**205.15**

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:
Not budgeted separately for under cash flow statement, included under the Other Receipts.

Interest and Rent on Land Earned:
Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Other Receipts
Over budget for funds received from LGSETA.

Employee Related Costs
mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Remuneration of Councillors
mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Interest and Rent on Land Paid
Budget for Interest and Rent on Land Paid under Repayment of Borrowings.

Suppliers Paid
mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Other Payments
mSCOA budget format only make provision for Suppliers & Employee Related Cost as a combined item.

Purchase of Property, Plant and Equipment:
ZFM included additions as budgeted for but did not realise due to procurement challenges.

Decrease / (Increase) in Long-term Receivables:
It was not budgeted for the change in Long-term Receivables.

Repayment of Borrowings:
Not budgeted separately for under cash flow statement, included under the Interest and Rent on Land Earned.

Cash and Cash Equivalents at End of the Year:
All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION												
Current Assets												
Receivables from Exchange Transactions	660 000	(121 490)	538 510	(435 201)	103 309	-	103 309	290 825	-	187 516	281.51	44.06
VAT Receivable	-	-	-	-	-	-	-	590 745	-	590 745	0.00	0.00
Cash and Cash Equivalents	1 350 000	(73 369)	1 276 631	1 835 308	3 111 939	-	3 111 939	1 021 568	-	(2 090 371)	32.83	75.67
Current Portion of Long-term Receivables	(86 186)	101 748	15 562	1	15 563	-	15 563	8 902	-	(6 661)	57.20	0.00
Non-Current Assets												
Property, Plant and Equipment	20 917 510	837 103	21 754 613	(711 639)	21 042 974	-	21 042 974	20 329 786	-	(713 188)	96.61	97.19
Intangible Assets	613 200	(216 039)	397 161	0	397 161	-	397 161	266 989	-	(130 172)	67.22	43.54
Long-term Receivables	10 704	10 975	21 679	1	21 680	-	21 680	18 633	-	(3 047)	85.94	174.07
Total Assets	23 465 228	538 928	24 004 156	688 470	24 692 626	-	24 692 626	22 527 447	-	(2 165 179)	91.23	96.00
Current Liabilities												
Provisions	2 655 848	(565 220)	2 090 628	(1 120 513)	970 115	-	970 115	2 807 546	-	1 837 431	289.40	105.71
Payables from Exchange Transactions	16 377 652	(14 933 001)	1 444 651	9 296 956	10 741 607	-	10 741 607	10 517 649	-	(223 958)	97.92	64.22
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	283 533	-	283 533	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	293 310	293 310	-	293 310	293 310	-	(0)	100.00	0.00
Non-Current Liabilities												
Long-term Liabilities	-	-	-	128 263	128 263	-	128 263	160 902	-	32 639	125.45	0.00
Employee Benefit Liabilities	34 805 970	(4 735 101)	30 070 869	1 648 429	31 719 298	-	31 719 298	30 492 000	-	(1 227 298)	96.13	87.61
Total Liabilities	53 839 470	(20 233 322)	33 606 147	10 246 446	43 852 593	-	43 852 593	44 554 940	-	702 347	101.60	82.76
Total Assets and Liabilities	**(30 374 241)**	**20 772 250**	**(9 601 991)**	**(9 557 976)**	**(19 159 967)**	**-**	**(19 159 967)**	**(22 027 492)**	**-**	**(2 867 525)**	**0.00**	**0.00**
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	(30 374 241)	20 772 250	(9 601 991)	(9 557 976)	(19 159 967)	-	(19 159 967)	(22 027 492)	-	(2 867 525)	0.00	0.00
Total Net Assets	**(30 374 241)**	**20 772 250**	**(9 601 991)**	**(9 557 976)**	**(19 159 967)**	**-**	**(19 159 967)**	**(22 027 492)**	**-**	**(2 867 525)**	**0.00**	**0.00**

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:
ZFM did not budget for Prepayments and Advances.

VAT Receivable:
VAT Receivables budget is included in Receivables from Exchange Transactions.

Cash and Cash Equivalents:
The budget amount anticipated was over budgeted for.

Current Portion of Long-term Receivables:
Budgeted figures were not updated with the latest amortisation tables.

Intangible Assets:
ZFM included additions as budgeted for but was recognised as Property, Plant and Equipment.

Long-term Receivables:
Budgeted figures were not updated with the latest amortisation tables.

Provisions:
Only budgeted for Leave Accrual. Budgeted amount of short-term portion of PEMA and LSA included under Non-current Employee Benefit Liabilities.

Unspent Conditional Grants and Receipts:
ZFM did not budget for Unspent Conditional Grants and Receipts as it was anticipated that all grants will be spent.

Long-term Liabilities:
Budgeted figures were not updated with the latest amortisation tables.

Accumulated Surplus / (Deficit):
Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE												
Revenue from Non-exchange Transactions												
Transfers and Subsidies	75 744 000	-	75 744 000	1 742 289	77 486 289	(600 000)	76 886 289	77 494 020	-	607 731	100.79	102.31
Impairment Gains	-	-	-	-	-	-	-	454 648	-	454 648	0.00	0.00
Revenue from Exchange Transactions												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	3 893	-	(6 107)	38.93	38.93
Interest and Rent on Land Earned	800 000	-	800 000	50 000	850 000	-	850 000	726 457	-	(123 543)	85.47	90.81
Operational Revenue	1 500 000	168 797	1 668 797	(998 797)	670 000	600 000	1 270 000	685 113	-	(584 887)	53.95	45.67
Gains on Disposal of Capital Assets	-	-	-	656 000	656 000	-	656 000	-	-	(656 000)	0.00	0.00
Total Revenue	78 054 000	168 797	78 222 797	1 449 492	79 672 289	-	79 672 289	79 364 131	-	(308 158)	99.61	101.68
Expenditure												
Employee Related Costs	55 533 780	(3 034 914)	52 498 866	(1 360 984)	51 137 882	2 610 778	53 748 660	54 909 455	1 160 795	1 160 795	102.16	98.88
Remuneration of Councillors	4 392 212	(783 883)	3 608 329	106 491	3 714 820	135 675	3 850 495	3 850 177	-	(318)	99.99	87.66
Depreciation and Amortisation	594 640	-	594 640	-	594 640	335 000	929 640	921 108	-	(8 532)	99.08	154.90
Impairment Losses	-	-	-	25 000	25 000	349 483	374 483	373 484	-	(999)	99.73	0.00
Interest and Rent on Land	-	150 000	150 000	(50 000)	100 000	32 000	132 000	127 773	-	(4 227)	96.80	0.00
Contracted Services	4 462 285	665 341	5 127 626	1 353 346	6 480 972	(553 977)	5 926 995	5 912 789	-	(14 206)	99.76	132.51
Inventory Consumed	324 775	(6 775)	318 000	370 222	688 222	(109 639)	578 583	328 485	-	(250 098)	56.77	101.14
Transfers and Subsidies Paid	153 250	100 000	253 250	369 150	622 400	(158 200)	464 200	462 173	-	(2 027)	99.56	301.58
Operating Leases	1 552 697	(470 000)	1 082 697	37 303	1 120 000	(126 999)	993 001	977 874	-	(15 127)	98.48	62.98
Operational Costs	14 108 296	(2 108 432)	11 999 864	1 033 985	13 033 849	(2 319 468)	10 714 381	10 648 346	-	(66 035)	99.38	75.48
Loss on Disposal of Capital Assets	-	-	-	953 000	953 000	(194 653)	758 347	757 395	-	(952)	99.87	0.00
Total Expenditure	81 121 935	(5 488 663)	75 633 272	2 837 513	78 470 785	-	78 470 785	79 269 060	1 160 795	798 275	101.02	97.72
Surplus/(Deficit for the Year	**(3 067 935)**	**5 657 460**	**2 589 525**	**(1 388 021)**	**1 201 504**	**-**	**1 201 504**	**95 071**	**(1 160 795)**	**(1 106 433)**	**7.91**	**-**

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Impairment Gains:

Did not budget for a Reversal of Impairment Losses.

Rental from Fixed Assets

Not budgeted separately for under cash flow statement, included under the Other Receipts.

Interest and Rent on Land Earned

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Operational Revenue:

Over budget for funds received from LGSETA.

Gains on Disposal of Capital Assets:

Budgeted for revenue from auction which did not take place during the year due to COVID-19.

Inventory Consumed:

Underspending is mainly due to cost containment measures.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION												
Executive and Council	65 000	-	65 000	(65 000)	-	14 000	14 000	13 217	-	(783)	94.40	20.33
Finance and Administration	2 340 000	(1 718 500)	621 500	(441 500)	180 000	(26 000)	154 000	141 632	-	(12 368)	91.97	6.05
Internal Audit	-	-	-	-	-	2 000	2 000	1 978	-	(22)	98.92	0.00
Planning and Development	239 400	-	239 400	(239 400)	-	10 000	10 000	9 957	-	(43)	99.57	4.16
Total Capital Expenditure	**2 644 400**	**(1 718 500)**	**925 900**	**(745 900)**	**180 000**	**-**	**180 000**	**166 783**	**-**	**(13 217)**	**92.66**	**6.31**

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:
Variance within 10%.
Finance and Administration:
Variance within 10%.
Internal Audit:
Variance within 10%.
Planning and Development:
Variance within 10%.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW												
Cash Flows from/(used in) Operating Activities												
Transfers and Subsidies	75 744 000	32 574	75 776 574	(1 866 504)	73 910 070	-	73 910 070	77 315 264	-	3 405 194	104.61	102.07
Rental from Fixed Assets	-	-	-	-	-	-	-	3 893	-	3 893	0.00	0.00
Interest and Rent on Land Earned	800 000	(130 366)	669 634	(669 634)	-	-	-	726 457	-	726 457	0.00	90.81
Other Receipts	1 510 000	(849 697)	660 303	1 085 371	1 745 674	-	1 745 674	201 751	-	(1 543 923)	11.56	13.36
Employee Related Costs	(80 374 045)	5 229 625	(75 144 420)	(981 325)	(76 125 745)	-	(76 125 745)	(53 794 380)	-	22 331 365	70.67	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(3 850 177)	-	(3 850 177)	0.00	0.00
Interest and Rent on Land Paid	-	90 858	90 858	(190 858)	(100 000)	-	(100 000)	(127 773)	-	(27 773)	127.77	0.00
Suppliers Paid	(100 000)	-	(100 000)	100 000	-	-	-	(8 082 006)	-	(8 082 006)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(12 285 913)	-	(12 285 913)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(2 644 400)	1 718 500	(925 900)	375 900	(550 000)	-	(550 000)	(166 783)	-	383 217	30.32	0.00
Proceeds on Disposal of Property, Plant and E	-	-	-	(180 000)	(180 000)	-	(180 000)	43 279	-	223 279	0.00	0.00
Decrease / (Increase) in Long-term Receivable	-	-	-	-	-	-	-	3 046	-	3 046	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Repayment of Borrowings	-	-	-	483 442	483 442	-	483 442	(241 720)	-	(725 162)	0.00	0.00
Cash and Cash Equivalents at End of the Ye	**(5 064 445)**	**6 091 494**	**1 027 049**	**(1 843 608)**	**(816 559)**	**-**	**(816 559)**	**(255 064)**	**-**	**561 495**	**0.00**	**0.00**

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:
Not budgeted separately for under cash flow statement, included under the Other Receipts.

Interest Received
Not budgeted separately for under cash flow statement, included under the Other Receipts.

Other Receipts
Over budget for LGSETA bursaries scheme.

Employee Related Costs
mSCOA budget format for cash flow report, only make provision for Suppliers & Employee Related Cost as combined item.

Remuneration of Councillors
mSCOA budget format for cash flow report, only make provision for Suppliers & Employee Related Cost as combined item.

Interest and Rent on Land Paid
Budget for Interest and Rent on Land Paid under Repayment of Borrowings.

Suppliers Paid
mSCOA budget format for cash flow report, only make provision for Suppliers & Employee Related Cost as combined item.

Other Payments
mSCOA budget format for cash flow report, only make provision for Suppliers & Employee Related Cost as combined item.

Purchase of Property, Plant and Equipment:
Savings realised on capital items budgeted for and not procured due to COVID-19 pandemic

Proceeds on Disposal of Property, Plant and Equipment:
ZFM did not budget for insurance claim refunds relating to Property, Plant and Equipment.

Decrease / (Increase) in Long-term Receivables:
It was not budgeted for the change in Long-term Receivables.

Repayment of Borrowings:
Budgeted figures were not updated with the latest amortisation tables.

Cash and Cash Equivalents at End of the Year:
All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2020/21		2019/20
	R		R
Net surplus/(deficit) per the statement of financial performance	**374 512**		**95 071**
Revenue from Non-exchange Transactions			
Transfers and Subsidies	953 023		(607 731)
Impairment Gains	-		(454 648)
Revenue from Exchange Transactions			
Rental from Fixed Assets	7 922		6 107
Interest and Rent on Land Earned	337 131		123 543
Operational Revenue	1 132 775		584 887
Gains on Disposal of Capital Assets	656 000		656 000
Expenditure			
Employee Related Costs	(45 950)		1 160 795
Remuneration of Councillors	(19 581)		(318)
Depreciation and Amortisation	(119 012)		(8 532)
Impairment Losses	(11 863)		(999)
Interest and Rent on Land Paid	(9 086)		(4 227)
Contracted Services	(121 701)		(14 206)
Inventory Consumed	(326 486)		(250 098)
Grants and Subsidies Paid	(3 841)		(2 027)
Operating Leases	(33 922)		(15 127)
Operational Costs	(7 603)		(66 035)
Loss on Disposal of Capital Assets	(446 695)		(952)
Net surplus/deficit per approved budget	**2 315 622**		**1 201 504**

The following budgets were approved by Council during 2020/21 financial year:
- 29-Sep-20: Special Adjustment Budget to budget for COVID-19
- 26-Feb-21: Annual Adjustment Budget
- 30-Jun-21: Special Adjustment Budget for FMG Business Plan amendment.

The Special Adjusted Budget is not disclosed in the tables above as the adjustments were only made within Revenue: Transfers and Subsidies of the FMG Grant.

ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE

30 June 2021

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
	R	R	R	R	R	R	R	R
REVENUE								
Revenue from Non-exchange Transactions								
Transfers and Subsidies	249 550	75 398 427	-	-	-	4 490 000	-	80 137 977
Impairment Gains		-						-
Revenue from Exchange Transactions								
Rental from Fixed Assets	-	2 078	-	-	-	-	-	2 078
Interest and Rent on Land Earned	-	562 869	-	-	-	-	-	562 869
Operational Revenue	-	542 225	-	-	-	-	-	542 225
Total Revenue	**249 550**	**76 505 599**	**-**	**-**	**-**	**4 490 000**	**-**	**81 245 149**
EXPENDITURE								
Employee Related Costs	8 429 797	32 667 157	2 928 392	2 718 615	6 127 900	6 394 719	910 237	60 176 818
Remuneration of Councillors	3 974 721	-	-	-	-	-	-	3 974 721
Depreciation and Amortisation	-	785 628	-	-	-	-	-	785 628
Impairment Losses	-	13 137	-	-	-	-	-	13 137
Interest and Rent on Land	-	48 814	-	-	-	-	-	48 814
Contracted Services	207 176	2 599 470	259 383	-	-	2 584 775	-	5 650 804
Inventory Consumed	49 565	307 894	1 636	6 323	16 345	77 044	-	458 807
Transfers and Subsidies Paid	594 159	-	-	-	-	-	-	594 159
Operating Leases	-	926 678	-	-	-	-	-	926 678
Operational Costs	1 784 415	5 420 684	148 893	27 405	217 216	454 214	31 939	8 084 767
Loss on Disposal of Capital Assets	-	156 305	-	-	-	-	-	156 305
Total Expenditure	**15 039 833**	**42 925 766**	**3 338 304**	**2 752 344**	**6 361 461**	**9 510 753**	**942 176**	**80 870 637**
Surplus/(Deficit) for the Year	**(14 790 283)**	**33 579 832**	**(3 338 304)**	**(2 752 344)**	**(6 361 461)**	**(5 020 753)**	**(942 175.75)**	**374 512**

ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)

30 June 2020

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
	R	R	R	R	R	R	R	R
REVENUE								
Revenue from Non-exchange Transactions								
Transfers and Subsidies	678 756	71 693 264	-	246 000	-	4 876 000	-	77 494 020
Impairment Gains	-	454 648	-	-	-	-	-	454 648
Revenue from Exchange Transactions	-	-	-	-	-	-	-	
Rental from Fixed Assets	-	3 893	-	-	-	-	-	3 893
Interest and Rent on Land Earned	-	726 457	-	-	-	-	-	726 457
Operational Revenue	-	685 113	-	-	-	-	-	685 113
Gains on Disposal of Capital Assets	-	-	-	-	-	-	-	-
Total Revenue	**678 756**	**73 563 375**	**-**	**246 000**	**-**	**4 876 000**	**-**	**79 364 131**
EXPENDITURE								
Employee Related Costs	7 817 659	30 019 290	2 756 008	2 414 890	5 852 024	5 323 684	725 901	54 909 455
Remuneration of Councillors	3 850 177	-	-	-	-	-	-	3 850 177
Depreciation and Amortisation	-	921 108	-	-	-	-	-	921 108
Impairment Losses	-	373 484	-	-	-	-	-	373 484
Interest and Rent on Land	-	127 773	-	-	-	-	-	127 773
Contracted Services	468 745	1 683 634	184 503	3 500	-	3 572 407	-	5 912 789
Inventory Consumed	17 240	148 850	-	64 617	2 875	94 903	-	328 485
Transfers and Subsidies Paid	352 609	-	-	108 564	-	1 000	-	462 173
Operating Leases	-	977 874	-	-	-	-	-	977 874
Operational Costs	2 706 462	6 807 397	159 553	62 698	282 620	572 878	56 738	10 648 346
Loss on Disposal of Capital Assets	-	757 395	-	-	-	-	-	757 395
Total Expenditure	**15 212 892**	**41 816 805**	**3 100 064**	**2 654 269**	**6 137 519**	**9 564 872**	**782 639**	**79 269 060**
Surplus/(Deficit) for the Year	**(14 534 136)**	**31 746 569**	**(3 100 064)**	**(2 408 269)**	**(6 137 519)**	**(4 688 872)**	**(782 639)**	**95 071**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the District Municipality's functional currency.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2020 and 30 June 2021 the District Municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the District Municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

In the application of the District Municipality's Accounting Policies, which are described below, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that Management have made in the process of applying the District Municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue Recognition

Accounting Policy 7.2 on Revenue from Exchange Transactions and Accounting Policy 7.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the Management of the District Municipality.

In making their judgement, the Management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the District Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the District Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the Management of the District Municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The Management of the District Municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

  The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.3.3 Useful lives of Property, Plant and Equipment and Intangible Assets

As described in Accounting Policies 3.3, and 4.2, the District Municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on Management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy N/A on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the Management of the District Municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, Management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by Management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 7 and 8 to the Annual Financial Statements, if applicable.

1.3.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 9.2 , Employee Benefits – Post-employment Benefits, the District Municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the District Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2021.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis* .

1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the District Municipality:

- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 110 Living and Non-living Resources
- Guideline on Accounting for landfill sites
- IGRAP 20 Accounting for adjustments to revenue

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the District Municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the District Municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the District Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method* , to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			**Other**	
	Improvements	25 - 100		Bins and Containers	5
				Furniture and Fittings	5 - 10
	Community			Office Equipment	3 - 7
	Recreational Facilities	15 - 60		Other items of Plant and Equipment	2 - 5
	Security	5		Other Vehicles	5 - 10
				Specialised Plant and Equipment	10 - 15
				Specialist Vehicles	5 - 20
				Watercraft	15

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the District Municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the District Municipality will obtain ownership by the end of the lease term.

3.7 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the District Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software Purchased	3 - 5

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

5. IMPAIRMENT OF ASSETS

The District Municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

5.1 Impairment of Cash Generating Assets

The District Municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 recoverable amount of the cash generating unit to which the asset belongs is determined.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

5.2 Impairment of Non-cash Generating Assets

The District Municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

6. FINANCIAL INSTRUMENTS

The District Municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The District Municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the District Municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the Municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.1 Financial Assets – Classification

The District Municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

6.2 Financial Liabilities – Classification

The District Municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis* .

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

6.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method* . Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

6.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the District Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is Management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

6.5 Derecognition of Financial Assets

The District Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the District Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the District Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the District Municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the District Municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The District Municipality derecognises Financial Liabilities when, and only when, the District Municipality's obligations are discharged, cancelled or they expire.

The District Municipality recognises the difference between the carrying amount of the 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, in Surplus or Deficit.

7. REVENUE RECOGNITION

7.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the District Municipality’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

7.2 Revenue from Exchange Transactions

7.2.1 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

7.2.2 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

7.2.3 Sale of Goods (including Houses)

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

(a) The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

7.3 Revenue from Non-exchange Transactions

7.3.1 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

7.3.2 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of Property, Plant and Equipment, when such items of property, plant and equipment are available for use.

7.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the District Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the District Municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the District Municipality’s interest, it is recognised as interest earned in Surplus or Deficit.

7.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual Unauthorised, Irregular, Fruitless and Wasteful Expenditure was incurred.

8. PROVISIONS

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

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

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

9. EMPLOYEE BENEFIT LIABILITIES

9.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

The District Municipality recognises the expected cost of performance bonuses only when the District Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The entity recognise the expected cost of bonus payments (13th cheques) when the District Municipality 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 and the settlement will be within 12 moths. Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

9.2 Post-employment Benefits

The District Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

9.2.1 Defined Contribution Plans

The District Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The District Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

9.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The District Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the District Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the District Municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the District Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The District Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the District Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The District Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Defined Benefit Pension Plans

The District Municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The District Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method* . The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

10. LEASES

10.1 The Municipality as Lessee

10.1.1 Operating Leases

The District Municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

10.2 The Municipality as Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the District Municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the District Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

11. VALUE ADDED TAX

The District Municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

12. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit 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 Surplus or Deficit.

13. 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), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

14. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit 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 Surplus or Deficit.

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

16. COMMITMENTS

Commitments are future expenditure to which the District Municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

17. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

18. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

19. SEGMENT REPORTING

The mandate of the Municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal Management reporting is based on each service objective. The following components have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting):

- *The segment for Executive and Council*
- *The segment for Finance and Administration*
- *The segment for Internal Audit*
- *The segment for Public Safety*
- *The segment for Health*
- *The segment for Planning and Development*
- *The segment for Other*

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the Municipality as a whole.

The Municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

The Segmental Reporting is disclosed in Note 48 to the Annual Financial Statements.

20. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the District Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2020 to 30 June 2021.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by Management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the District Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 31 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in Note 33 to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the District Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.
Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. TREATMENT OF SUPPORT FUNDS RECEIVED

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, shared service fee, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspend on support rendered.

22 STATUTORY RECEIVABLES

Utilisation of transitional provisions:

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The estimate Statutory Receivables that exists in the District Municipality's books at year-end are those relating to VAT.

The District Municipality applied the requirements of GRAP 108 by 30 June 2021. The District Municipality developed an accounting policy for GRAP 108 which was approved by Council.

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The District Municipality, formerly known as Siyanda District Municipality) is a local government institution in Upington, Northern Cape, and has 5 Local Municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2020. The principal activities of the District Municipality are disclosed in the Annual Report.

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	51 669	-	51 669
Merchandising, Jobbing and Contracts	51 669	-	51 669
Prepayments and Advances	301 623	-	301 623
Rent	43 602	-	226 452
Subscriptions	75 171	-	75 171
Telephone Contract	182 850	-	-
Total Receivables from Exchange Transactions	**353 292**	**-**	**353 292**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	172 053	-	172 053
Merchandising, Jobbing and Contracts	172 053	-	172 053
Prepayments and Advances	118 773	-	118 773
Rent	43 602	-	43 602
Subscriptions	75 171	-	75 171
Total Receivables from Exchange Transactions	**290 825**	**-**	**290 825**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The District Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the District Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and Receivables as well as the current payment ratios of the District Municipality's Receivables.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

2.1 Ageing of Receivables from Exchange Transactions

	2021 R	2020 R
Other Debtors: Ageing		
Current:		
0 - 30 days	226 400	145 295
Past Due:		
31 - 60 Days	704	1 834
61 - 90 Days	704	1 834
91 - 120 Days	704	1 834
+ 120 Days	124 779	140 029
Total	**353 292**	**290 825**

2.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
As at 30 June 2021				
Current:				
0 - 30 days	-	-	226 400	226 400
Past Due:				
31 - 60 Days	-	-	704	704
61 - 90 Days	-	-	704	704
+ 90 Days	-	-	704	704
+ 120 Days	-	-	124 779	124 779
Sub-total	-	-	353 292	353 292
Less: Provision for Impairment	-	-	-	-
Total Trade Receivables by Customer Classification	**-**	**-**	**353 292**	**353 292**

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
As at 30 June 2020				
Current:				
0 - 30 days	-	-	145 295	145 295
Past Due:				
31 - 60 Days	-	-	1 834	1 834
61 - 90 Days	-	-	1 834	1 834
+ 90 Days	-	-	1 834	1 834
+ 120 Days	-	-	140 029	140 029
Sub-total	-	-	290 825	290 825
Less: Provision for Impairment	-	-	-	-
Total Trade Receivables by Customer Classification	**-**	**-**	**290 825**	**290 825**

	2021 R	2020 R
2.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	-	454 648
All Consumer Debtors	-	454 648
Impairment Losses recognised	-	-
All Consumer Debtors	-	-
Impairment Losses reversed	-	(454 648)
All Consumer Debtors	-	(454 648)
Provision amount written off as uncollectable	-	-
Balance at end of year	**-**	**-**

2.4 Ageing of impaired Receivables from Exchange Transactions

No impairment loss was recognised on 30 June 2021.

2.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	121 515	-	121 515
Total Receivables from Non-exchange Transactions	**121 515**	**-**	**121 515**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	-	-	-
Total Receivables from Non-exchange Transactions	**-**	**-**	**-**

During the preparation of the 2020/21 Annual Financial Statements it was noted that various debit orders were deducted from ZF Mgcawu District Municipality's bank account without any authorisation by ZFM officials. The Municipality has opened a case at the SAPS for further investigation. ABSA is in the process to recover the money for these debit orders.
The total amount of the various debit orders was R240 942 of which R119 427 was recovered by ABSA.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Unauthorised, Irregular, Fruitless and Wasteful Expenditure:					
Gross Balances	-	-	-	121 515	121 515
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**121 515**	**121 515**

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Unauthorised, Irregular, Fruitless and Wasteful Expenditure:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**-**	**-**

	2021 R	2020 R

4. STATUTORY RECEIVABLES - VAT

	2021 R	2020 R
VAT Receivable / (Payable)	**953 999**	**590 745**
As at 30 June:		
Gross Balances	953 999	590 745
Plus: Fines and Penalties	-	-
Less: Provision for Impairment	-	-
	953 999	**590 745**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

VAT Receivable is the Net Receivable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

5. CASH AND CASH EQUIVALENTS

	2021 R	2020 R
Current Investments	20 382	562
Bank Accounts	2 260 378	1 021 006
Cash and Cash Equivalents	443	-
Total Bank, Cash and Cash Equivalents	**2 281 203**	**1 021 568**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

5.1 Current Investment Deposits

	2021 R	2020 R
Call Deposits	20 382	562
Total Current Investment Deposits	**20 382**	**562**

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 7.9% per annum.

	2021 R	2020 R
Deposits attributable to Deposit taking Institutions	20 382	562
KOF: ABSA Account 1045170264	20 382	562
Total Deposits attributable to Commitments of the District Municipality	**20 382**	**562**

	2021 R	2020 R
KOF: ABSA Account 1045170264		
Cash book balance at beginning of year	562	546
Cash book balance at end of year	20 382	562
Bank statement balance at beginning of year	562	546
Bank statement balance at end of year	-	562

	2021 R	2020 R

5.2 Bank Accounts

	2021 R	2020 R
Cash in Bank	2 260 378	1 021 006
Total Bank Accounts	**2 260 378**	**1 021 006**

The District Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank Account 2240000035

	2021 R	2020 R
Cash book balance at beginning of year	1 021 006	1 276 060
Cash book balance at end of year	2 260 378	1 021 006
Bank statement balance at beginning of year	1 021 006	1 276 060
Bank statement balance at end of year	2 260 047	1 021 006

The District Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

5.3 Cash and Cash Equivalents

	2021 R	2020 R
Cash Floats and Advances	443	-
Total Cash on hand in Cash Floats, Advances and Equivalents	**443**	**-**

Petty Cash Bank Account

ABSA Bank Account 9266723639

	2021 R	2020 R
Cash book balance at beginning of year	-	26
Cash book balance at end of year	443	-
Bank statement & Cash Float balanceat beginning of year	-	26
Bank statement & Cash Float balance at end of year	443	-

The District Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the District Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the District Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and financial institutions.

6. CURRENT PORTION OF LONG-TERM RECEIVABLES

	2021 R	2020 R
Finance Lease Receivable	3 600	3 600
Staff Related Long Term Receivables	2 802	5 302
Performance Bonus Debtors	-	-
Maternity Leave Debtors	2 400	2 400
Acting Allowance Debtors	402	2 902
Total Current Portion of Long-term Receivables	**6 402**	**8 902**

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2021

Reconciliation of Carrying Value

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
Carrying values at 01 July 2020	**17 976 000**	**698 815**	**18 674 815**	**619 321**	**291 075**	**355 940**	**388 636**	**20 329 786**
Cost	17 976 000	2 056 000	20 032 000	2 225 445	2 227 453	986 849	990 980	26 462 727
Accumulated Depreciation:	-	(1 357 185)	(1 357 185)	(1 606 124)	(1 936 378)	(630 909)	(602 344)	(6 132 941)
Acquisitions	-	-	-	90 344	36 777	-	713 492	840 613
Cost	-	-	-	90 344	36 777	-	713 492	840 613
Leased	-	-	-	-	-	-	-	-
Depreciation:	-	(82 213)	(82 213)	(227 995)	(34 129)	(200 070)	(111 578)	(655 986)
Cost	-	(82 213)	(82 213)	(227 995)	(34 129)	(8 500)	(111 578)	(464 416)
Leased	-	-	-	-	-	(191 570)	-	(191 570)
Carrying value of Disposals:	-	-	-	(4 636)	(10 650)	-	(141 018)	(156 305)
- Cost	-	-	-	(36 940)	(103 584)	-	(595 400)	(735 924)
- Accumulated Depreciation	-	-	-	32 304	92 934	-	454 382	579 619
Carrying values at 30 June 2021	**17 976 000**	**616 601**	**18 592 601**	**477 033**	**283 073**	**155 870**	**849 532**	**20 358 109**
Cost	17 976 000	2 056 000	20 032 000	2 278 848	2 160 646	986 849	1 109 072	26 567 416
Accumulated Depreciation:	-	(1 439 399)	(1 439 399)	(1 801 815)	(1 877 573)	(830 979)	(259 541)	(6 209 307)

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2020

Reconciliation of Carrying Value

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
Carrying values at 01 July 2019	**17 976 000**	**781 280**	**18 757 280**	**812 883**	**301 928**	**578 618**	**1 303 904**	**21 754 613**
Cost	17 976 000	2 056 000	20 032 000	2 180 415	2 260 124	964 235	2 002 110	27 438 885
Accumulated Depreciation:	-	(1 274 720)	(1 274 720)	(1 367 532)	(1 958 196)	(385 617)	(698 207)	(5 684 272)
Acquisitions	-	-	-	102 477	38 626	25 680	-	166 783
Cost	-	-	-	102 477	38 626	25 680	-	166 783
Leased	-	-	-	-	-	-	-	-
Depreciation:	-	(82 465)	(82 465)	(284 396)	(42 633)	(247 808)	(133 633)	(790 936)
Cost		(82 465)	(82 465)	(284 396)	(42 633)	(7 030)	(133 633)	(550 158)
Leased					-	(240 778)		(240 778)
Carrying value of Disposals:	-	-	-	(11 643)	(6 846)	(551)	(781 634)	(800 674)
- Cost	-	-	-	(57 448)	(71 297)	(3 067)	(1 011 130)	(1 142 942)
- Accumulated Depreciation	-	-	-	45 805	64 451	2 516	229 496	342 268
Carrying values at 30 June 2020	**17 976 000**	**698 815**	**18 674 815**	**619 321**	**291 075**	**355 940**	**388 636**	**20 329 786**
Cost	17 976 000	2 056 000	20 032 000	2 225 445	2 227 453	986 849	990 980	26 462 727
Accumulated Depreciation:	-	(1 357 185)	(1 357 185)	(1 606 124)	(1 936 378)	(630 909)	(602 344)	(6 132 941)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

	2021	2020
	R	R

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

	2021 R	2020 R
At Carrying Amount:		
Computer Equipment	-	-
Furniture and Office Equipment	17 819	1 661
Gross Carrying Amount of PPE fully depreciated and still in use	**17 819**	**1 661**

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

Refer to Note 30 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

The District Municipality did not pledge any of its assets as security, except for Leased Assets.

7.4 Impairment of Property, Plant and Equipment

No Property, Plant and Equipment were impaired from active use during the financial year.

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2020/21:

	2021 R	2020 R
Administration	(264)	(3)
Asset Management Unit	(6)	(220)
Budget and treasury office	(27)	(63)
Council Administration	(868)	(1)
Council Services	(2 189)	(21)
Disaster Management	(15)	(3)
Engineering Services	(319)	(1 485)
Environmental Health	(5 537)	(0)
Expenditure Unit	(2 286)	
Financial Services	(184)	(746)
Housing Accreditation	(6)	(89)
Human Resources	(76)	16 999
Information Technology	(73 885)	(6 567)
Internal Audit	(19)	(24)
LED	(10 356)	-
Municipal Manager	(3 645)	(1 317)
PIMMS	(1 377)	(31 185)
Property Services	(330)	(672)
Supply Chain Management	(1)	(10)
Technical Support Services	(21)	
Tourism	(158)	(6)
Vehicles	(26 792)	
Total Change in Estimate for Useful Life of Property, Plant and Equipment	**(128 361)**	**(25 414)**

7.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

	2021 R	2020 R

7.7 Repairs and Maintenance

Repairs and Maintenance expenditures of Property, Plant and Equipment are disclosed under Contracted Services, refer Note 25.

7.8 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the Municipality's insurers for Property, Plant and Equipment lost during the year:

	2021	2020
Compensation received from insurers	-	43 279
Carrying value of lost or broken assets	-	(1 400)
Surplus / (Deficit) on Compensation received for Lost PPE		**41 879**

8 INTANGIBLE ASSETS

	2021	2020
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**137 347**	**266 989**

The movement in Intangible Assets is reconciled as follows:

30 June 2021	**Computer Software**	**Total**
Carrying values at 01 July 2020	**266 989**	**266 989**
Cost	809 379	809 379
Accumulated Amortisation	(542 390)	(542 390)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(129 642)	(129 642)
Purchased	(129 642)	(129 642)
Carrying values at 30 June 2021	**137 347**	**137 347**
Cost	809 379	809 379
Accumulated Amortisation	(672 032)	(672 032)

30 June 2020	**Computer Software**	**Total**
Carrying values at 01 July 2019	**397 161**	**397 161**
Cost	809 379	809 379
Accumulated Amortisation	(412 218)	(412 218)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(130 172)	(130 172)
Purchased	(130 172)	(130 172)
Carrying value of Disposals:	**-**	**-**
- Cost	-	-
- Accumulated Depreciation	-	-
Carrying values at 30 June 2020	**266 989**	**266 989**
Cost	809 379	809 379
Accumulated Amortisation	(542 390)	(542 390)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 22).

All of the District Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the District Municipality.

No restrictions apply to any of the Intangible Assets of the District Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The District Municipality's intangible assets only comprise of computer related software.

8.2 Intangible Assets with Indefinite Useful Lives

The District Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the District Municipality at the reporting date.

8.4 Change in Estimate - Useful Life of Intangible Assets reviewed

The estimated useful lives of Intangible Assets were reviewed on but no changes were made by the District Municipality

	2021 R	2020 R
9 LONG-TERM RECEIVABLES		
Gross Balances:		
Finance Lease Receivable	14 374	16 309
Staff Related Long Term Receivables	6 325	11 225
Maternity Leave Debtors	5 923	8 324
Acting Allowance Debtors	402	2 902
	20 699	**27 534**
Less: Provision for Impairment:		
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
	-	**-**
Net Balances:		
Finance Lease Receivable	14 374	16 309
Staff Related Long Term Receivables	6 325	11 225
Maternity Leave Debtors	5 923	8 324
Acting Allowance Debtors	402	2 902
Total Long Term Receivables	**20 699**	**27 534**
Less: Current Portion transferred to Current Receivables:		
Finance Lease Receivable	(3 600)	(3 600)
Staff Related Long Term Receivables	(2 802)	(5 302)
Maternity Leave Debtors	(2 400)	(2 400)
Acting Allowance Debtors	(402)	(2 902)
	(6 402)	**(8 902)**
Non-Current Potion of Long Term Receivables		
Finance Lease Receivable	10 774	12 709
Staff Related Long Term Receivables	3 523	5 923
Non-Current Potion of Long Term Receivables	**14 297**	**18 633**

FINANCE LEASE RECEIVABLES

Finance Lease Receivables relate to Housing Selling Scheme Loans:

Loans were granted to the tenants of low cost housing erected by the District Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the District Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

STAFF RELATED LONG TERM RECEIVABLES
In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of:

i) Acting Allowance Debtors
An Acting Allowance was incorrectly paid out to an employee. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 August 2021.

ii) Maternity Leave Debtors
An salary was incorrectly paid out to an employee who was on maternity leave. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 December 2023.

The District Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the District Municipality's financial liabilities.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties.

9.1 Leasing Arrangements

The District Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

9.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
	2021 R	**2020 R**	**2021 R**	**2020 R**
Within one year	3 600	3 600	3 600	3 600
In the second to fifth years, inclusive	12 470	14 400	12 470	14 400
Over five years	-	535	-	535
	16 070	18 535	16 070	18 535
Less: Unearned Finance Income	1 696	2 226	1 696	2 226
Present Value of Minimum Lease Payments Receivable	14 374	16 309	14 374	16 309
Provision for Uncollectable Lease Receivables	-	-	-	-
Total Finance Lease Receivables	**14 374**	**16 309**	**14 374**	**16 309**

	2021 R	**2020 R**
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	10 774	12 709
Current Finance Lease Receivables	3 600	3 600
Total Finance Lease Receivables	**14 374**	**16 309**

The interest rates inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2020: 5%) per annum.

Management of the District Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties as well as the current payment ratios of the District Municipality's debtors.

9.3 Ageing of Long-term Receivables

	2021 R	2020 R
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	20 699	27 534
Finance Lease Receivable	14 374	16 309
Staff Related Long Term Receivables	6 325	11 225
Total	**20 699**	**27 534**

As at 30 June Long-term Receivables of R20 699 (2020: R27 534) were past due of which R0 (2020: R0) were impaired. No terms for payment have been re-negotiated.

9.4 Reconciliation of the Provision for Impairment

	2021 R	2020 R
Balance at beginning of year	-	-
Impairment Losses recognised	-	-
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
Impairment Losses reversed	-	-
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
Amounts written off as uncollectable	-	-
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
Balance at end of year	**-**	**-**

In determining the recoverability of a Long-term Receivable, the District Municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

10 PROVISIONS

	2021 R	2020 R
Performance Bonus	525 207	444 546
Current Portion of Employee Benefit Liabilities (See Note 14):	2 948 000	2 363 000
Post-retirement Medical Aid Benefits Liability	1 789 000	1 738 000
Long-term Service Liability	1 159 000	625 000
Total Provisions	**3 473 207**	**2 807 546**

	2021 R	2020 R
The movement in provisions is reconciled as follows:		
Performance Bonus:		
Opening Balance	444 546	429 485
Increases	525 207	444 546
Reductions	(444 546)	(429 485)
Balance at end of year	**525 207**	**444 546**

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Current Portion of Defined Benefit Liabilities:

	Medical Aid R	Long-term Service R
30 June 2021		
Opening Balance	1 738 000	625 000
Expenditure incurred	(1 715 275)	(713 746)
Contributions to provision	1 766 275	1 247 746
Balance at end of year	**1 789 000**	**1 159 000**

	Medical Aid R	Long-term Service R
30 June 2020		
Opening Balance	1 520 078	570 550
Expenditure incurred	(1 608 808)	(669 064)
Contributions to provision	1 826 730	723 514
Balance at end of year	**1 738 000**	**625 000**

11 PAYABLES FROM EXCHANGE TRANSACTIONS

	2021 R	2020 R
Advance Payments	127 681	373 209
Tsantsabane Local Municipality Support	-	195 034
LGSETA Skills Programmes and Learnerships	127 681	178 175
Annual Bonus	1 626 575	1 569 680
Leave Accrual	3 969 983	3 515 619
Other Payables: Salary Clearing and Control	315 320	1 264 726
Salary Control	132 684	144 692
Travel Control	7 379	17 179
Leave Control	46 120	46 120
UIF Control	-	51 396
Skills Control	322	562
Medical Aid Control	113 431	479 277
Unions Control	130	3 924
Employee Deductions FICS	15 254	521 576
Salary Related Payables	228 470	1 921 412
Compensation Commission (COID)	121 847	135 996
PAYE Deductions	106 623	1 074 916
Pension and Retirement Contributions	-	710 499
Trade Creditors	2 702 294	1 873 003
Auditor-General of South Africa	1 712 495	1 213 722
Payables and Accruals	989 799	659 281
Total Payables	**8 970 324**	**10 517 649**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Advance Payments (Support Accounts) are monies received to render support services to Local Municipalities in the district. All expenditures are recorded in separate suspense accounts so that ZF Mgcawu District Municipality can have more control over the costing of support services. Admin fees, actual travel costs, subsistence allowances and shared services fees are deducted from these suspense accounts.

Annual Bonuses accrue to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The District Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the District Municipality.

The management of the District Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2021 R	2020 R
12.1 Conditional Grants from Government		
National Government	-	-
Provincial Government	533 983	283 533
Total Conditional Grants and Receipts	**533 983**	**283 533**

The Unspent Conditional Grants are cash backed by Cash and Cash Equivalents of R2 281 203 (Note 5), VAT Receivables of R953 999 (Note 4) and Receivable from Exchange Transactions of R353 292 (Note 2).

The Unspent Conditional Grants and Receipts are invested in call deposit accounts until utilised.

Refer to Note 16 for the reconciliation of Grants from Government Receipts. The District Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Refer to Appendix "F" for more detail on Conditional Grants.

13 LONG-TERM LIABILITIES

	2021	2020
Finance Lease Liability	-	82 592.46
Operating Lease Liability	33 039	78 310
Non-Current Portion of Long Term Liabilities	33 039	160 902
Plus: Current Portion transferred to Current Liabilities:-	82 592	293 310
Finance Lease Liability	82 592	293 310
Total Long-term Liabilities (Neither past due, nor impaired)	**115 632**	**454 212**

13.1 Finance Lease Liability

13.1.1 Summary of Arrangements

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years. The effective interest rate on Finance Leases is 19.4%. Capitalised Lease Liabilities are secured over the items of copier machines leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

13.1.2 Obligations under Finance Leases:

The District Municipality as Lessee:
Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under the finance lease are as follows:

	Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**
Amounts payable under borrowings:				
Within one year	85 286	341 144	85 286	341 144
In the second to fifth years, inclusive	-	85 286	-	85 286
Over five years	-	-	-	-
	85 286	426 431	85 286	426 431
Less: Future Finance Obligations	2 694	50 528	2 694	50 528
Present Value of Minimum Lease Obligations	**82 592**	**375 902**	**82 592**	**375 902**
Less: Amounts due for settlement within 12 months (Current Portion)			(82 592)	(293 310)
Borrowings due for settlement after 12 months (Non-current Portion)			**-**	**82 592**

The District Municipality has finance lease agreements for the following significant classes of assets:
- Machinery and Equipment

	2021	**2020**
	R	**R**
Included in these classes are the following significant leases:		
(i) Copier Machines		
- Instalments are payable monthly in advance		
- Cost Price	R 783 000	R 783 000
- Accumulated Depreciation	R 672 468	R 480 898
- Net Carrying Amount	R 110 532	R 302 102
- Depreciation for the year	R 191 570	R 240 778
- Finance charge for the year	R 47 835	R 99 424
- Average period outstanding	3 months	15 months
- Average effective interest rate	19.4%	19.4%
- Average monthly instalment	R 28 429	R 28 429

13.2 Operating Leases

Balance at beginning of year	78 310	44 877
Operating Lease payments effected	(907 159)	(828 456)
Operating Lease expenses recorded	861 889	861 889
Total Operating Lease Liabilities	**33 039**	**78 310**

13.2.1 Leasing Arrangements

The District Municipality as Lessee:

Operating Leases relate to Rental of Office space (Ancorley Building) with lease terms of 3 years ending 31 January 2018, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the District Municipality exercises its option to renew. The District Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Operating Leases relate to Rental of Office space (Chrystal lagoon) with lease terms of 3 years ending 30 November 2021, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the District Municipality exercises its option to renew. The District Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

13.2.2 Amounts payable under Operating Leases

At the Reporting Date the District Municipality had outstanding commitments under Non-cancellable Operating Leases, which fall due as follows:

	2021 R	2020 R
Buildings:	450 983	1 494 217
Up to 1 year	450 983	1 043 233
2 to 5 years	-	450 983
More than 5 years	-	-
Total Operating Lease Arrangements	**450 983**	**1 494 217**

The following payments have been recognised as an expense in the Statement of Financial Performance:

	2021 R	2020 R
Minimum lease payments	(907 159)	(828 456)
Total Operating Lease Expenses	**(907 159)**	**(828 456)**

The following restrictions have been imposed on the District Municipality in terms of the lease agreements on Rental of Office Space:

(i) The building shall remain the property of the lessor.

(ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.

(iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.

14 EMPLOYEE BENEFIT LIABILITIES

	2021 R	2020 R
Post-retirement Health Care Benefits Liability	28 284 000	25 695 000
Long Service Awards Liability	7 450 000	7 160 000
Total Employee Benefit Liabilities	35 734 000	32 855 000
Less: Current Portion of Employee Benefit Liabilities	(2 948 000)	(2 363 000)
Post-retirement Health Care Benefits Liability	(1 789 000)	(1 738 000)
Long Service Awards Liability	(1 159 000)	(625 000)
Non-current portion of Employee Benefit Liabilities	**32 786 000**	**30 492 000**

	2021 R	2020 R
14.1 Post-retirement Health Care Benefits Liability		
Opening balance	25 695 000	24 982 794
Interest cost	2 455 000	2 225 181
Current service cost	542 000	520 930
Past service cost (Policy Amendments)	-	4 169 000
Actual employer benefit payments	(1 715 275)	(1 608 808)
Actuarial loss/ (gain) recognised in the year	1 307 275	(4 594 097)
Balance at end of Year	28 284 000	25 695 000
Transfer to Current Provisions	(1 789 000)	(1 738 000)
Total Post-retirement Health Care Benefits Liability	**26 495 000**	**23 957 000**

The District Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the District Municipality. According to the rules of the Medical Aid Funds, with which the District Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the District Municipality is liable for a certain portion of the medical aid membership fee. The District Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The District Municipality has changed the Post Retirement Healthcare Policy regarding GRAP 25 (Employee Benefits). Refer to Change in Accounting Policy Note 31.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

	2021 R	2020 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	59	58
In-service Non-members (Employees)	45	43
Continuation Members (Retirees, widowers and orphans)	28	27
Total Members	**132**	**128**
The liability in respect of past service has been estimated as follows:		
In-service Members	7 738 000	6 208 000
In-service Non-members	532 000	1 213 000
Continuation Members	20 014 000	18 274 000
Total Liability	**28 284 000**	**25 695 000**

The District Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2021 is estimated to be R542 000, whereas the cost for the ensuing year is estimated to be R566 000 (30 June 2020: R520 930).

The Past-service Cost for the year ending 30 June 2021 is estimated to be R0 (30 June 2020: R4 169 000).

The Interest Cost for the year ending 30 June 2021 is estimated to be R2 455 000, whereas the cost for the ensuing year is estimated to be R2 675 000 (30 June 2020: R2 225 181).

	2021 R	2020 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.76%	9.88%
Health Care Cost Inflation Rate	6.57%	6.01%
Net Effective Discount Rate	2.99%	3.65%
Expected Rate of Salary Increase	4.00%	6.25%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	25 695 000	24 982 794
Current service cost	542 000	520 930
Past service cost (Policy Amendments)	-	4 169 000
Interest cost	2 455 000	2 225 181
Actual employer benefit payments	(1 715 275)	(1 608 808)
Actuarial loss/ (gain) recognised in the year	1 307 275	(4 594 097)
Total Recognised Benefit Liability	**28 284 000**	**25 695 000**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	28 284 000	25 695 000
Fair value of plan assets	-	-
	28 284 000	25 695 000
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	28 284 000	25 695 000
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	**28 284 000**	**25 695 000**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost & Past service cost	542 000	520 930
Senior Management	57 800	66 349
Municipal Staff	484 200	454 581
Past service cost (Policy Amendments)	-	4 169 000
Senior Management	-	159 800
Municipal Staff	-	4 009 200
Interest cost	2 455 000	2 225 181
Senior Management	92 200	69 311
Municipal Staff	2 362 800	2 155 870
Employer Benefit Payments	(1 715 275)	(1 608 808)
Actuarial losses / (gains)	1 307 275	(4 594 097)
Senior Management	(266 800)	(117 471)
Municipal Staff	1 574 075	(4 476 626)
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	**2 589 000**	**712 206**
Contribution to Actuarial losses / (gains):	**1 307 275**	**(4 594 097)**
Basis changes:		
Increases in net discount rates	2 241 000	(3 455 000)
Change in assumed in-service non-member medical aid option	(999 000)	
Increase in assumed average retirement age	-	-
Decrease in assumed membership continuation rate at retirement	-	-
Decrease in assumed in-service non-member take-up rate	-	-
Decrease in assumed spouse dependant proportion at retirement	-	-
Application of revised withdrawal rates	-	-
Application of post-employment mortality improvement	-	-
Subsidy increases higher / (lower) than assumed	(223 000)	409 000
Changes to membership profile different from assumed	311 000	(1 636 827)
Actual benefits vested, (lower) / greater than expected	(22 725)	88 730

The actuarial gain attributable to membership changes arises primarily because, on average, members bought down to cheaper medical aid options, and there were more exits than expected since the last valuation.

The history of fair values are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	28 284 000	25 695 000	24 982 794	33 207 527	33 272 682
Deficit	**28 284 000**	**25 695 000**	**24 982 794**	**33 207 527**	**33 272 682**
Experienced adjustments on Plan Liabilities	65 000	(1 139 000)	(1 941 000)	(736 000)	2 157 000

	2021 R	2020 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	3 452 000	2 908 500
Effect on the defined benefit obligation	32 005 000	29 003 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 627 000	2 523 400
Effect on the defined benefit obligation	25 213 000	22 953 000

The District Municipality expects to make a contribution of R1 789 000 (2020: R1 738 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 40, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the District Municipality's other retirement funds that is Provincially and Nationally administered.

	2021 R	2020 R
14.2 Long Service Awards Liability		
Opening Balance	7 160 000	6 757 130
Payments Made	(713 746)	(669 064)
Actuarial losses / (gains)	(61 254)	14 048
Increases (Passage of Time/Discounted Rate)	543 000	542 822
Increases (Outflow of Economic Benefits)	522 000	515 064
Balance at end of Year	7 450 000	7 160 000
Transfer to Current Provisions	(1 159 000)	(625 000)
Total Long Service Awards Liability	**6 291 000**	**6 535 000**

The District Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, and every 1 year after 25 years of continuous service, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 104 (2020: 101) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2021 is estimated to be R522 000, whereas the cost for the ensuing year is estimated to be R541 000.

The Interest Cost for the year ending is estimated to be R543 000, whereas the cost for the ensuing year is estimated to be R650 000.

	2021 R	2020 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.44%	7.92%
Net Effective Discount Rate	3.40%	3.41%
Expected Rate of Salary Increase	4.00%	4.36%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	7 160 000	6 757 130
Payments Made	(713 746)	(669 064)
Actuarial losses / (gains)	(61 254)	14 048
Increases (Passage of Time/Discounted Rate)	543 000	542 822
Increases (Outflow of Economic Benefits)	522 000	515 064
Total Recognised Benefit Liability	**7 450 000**	**7 160 000**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 450 000	7 160 000
	7 450 000	7 160 000
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	7 450 000	7 160 000
Total Benefit Liability	**7 450 000**	**7 160 000**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	522 000	515 064
Senior Management	8 100	10 362
Municipal Staff	513 900	504 702
Interest cost	543 000	542 822
Senior Management	8 300	12 519
Municipal Staff	534 700	530 303
Payments Made	(713 746)	(669 064)
Senior Management	(71 272)	(71 272)
Municipal Staff	(642 474)	(597 792)
Actuarial losses / (gains)	(61 254)	14 048
Senior Management	(17 628)	4 978
Municipal Staff	(43 626)	9 070
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	**290 000**	**402 870**
Contribution to Actuarial losses / (gains):	**(61 254)**	**14 048**
Basis changes:		
Decreases/(Increase) in net discount rates	4 000	(482 000)
Salary increases higher than assumed	-	-
Increase in assumed average retirement age	-	-
Application of revised withdrawal rates	-	-
Earnings increases higher than assumed	57 000	506 000
Changes to employee profile different from assumed	(211 000)	(108 466)
Actual benefits vesting, greater than expected	88 746	98 514

The history of experienced adjustments is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	7 450 000	7 160 000	6 757 130	3 803 746	3 408 329
Deficit	**7 450 000**	**7 160 000**	**6 757 130**	**3 803 746**	**3 408 329**
Experienced adjustments on Plan Liabilities	(65 254)	496 048	310 090	343 530	167 088

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2021 R	2020 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 156 000	1 153 500
Effect on the defined benefit obligation	8 011 000	7 721 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	982 000	973 200
Effect on the defined benefit obligation	6 946 000	6 660 000

The District Municipality expects to make a contribution of R1 159 000 (2020: R625 000) to the defined benefit plans during the next financial year.

15 ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	(21 652 980)	(22 027 492)
Total Accumulated Surplus	**(21 652 980)**	**(22 027 492)**

Reconciliation of Accumulated Surplus:

Opening Balance	(22 027 492)	(22 130 051)
Correction of Prior Period Error - Opening Balance	-	7 488
Accumulated Surplus As Per Financial Performance	374 512	95 071
Total Accumulated Surplus	**(21 652 980)**	**(22 027 492)**

16 TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants and subsidies	-	-
Allocations Gazetted	-	-
Operational Grants and subsidies	80 137 977	77 494 020
Allocations Not Gazetted	555 977	1 720 020
Allocations Gazetted	79 582 000	75 774 000
Total Government Grants and Subsidies	**80 137 977**	**77 494 020**
	-	

	2021 R	2020 R
16.1 Operational Grants		
National Revenue Fund:	**74 092 000**	**69 622 000**
Equitable Share Grant	74 092 000	69 622 000
National Governments:		
Allocations Gazetted:	**4 890 000**	**5 156 000**
Expanded Public Works Programme Integrated Grant	1 000 000	1 089 000
Local Government Financial Management Grant	1 000 000	1 000 000
Municipal Disaster Grant	-	30 000
Road Asset Management Systems Grant	2 890 000	3 037 000
Allocations Not Gazetted:	**306 427**	**1 041 264**
Subsidy for External Audit Fees	306 427	1 041 264
Provincial Government:		
Allocations Gazetted:	**600 000**	**996 000**
Housing Grant	600 000	750 000
Disaster Management - Near Project Grant	-	246 000
Allocations Not Gazetted:	**249 550**	**678 756**
HIV and AIDS Grant (Provincial Health Department)	249 550	678 756
	80 137 977	**77 494 020**
16.2 Capital Grants and subsidies		
Provincial Government:		
Allocations Gazetted:	**-**	**-**
Other	-	-
Total Operational Grants Received	**80 137 977**	**77 494 020**

16.3 Reconciliation per Grant Source

16.3.1 National Governments: Financial Management Grant

	2021 R	2020 R
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met for 2017/18 - transferred tc	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**-**	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the District Municipality.

ZFM budgeted for mSCOA Implementation under the 2017/18 FMG Activity Plan but implementation started in June 2017 to comply with the implementation date of mSCOA on 1 July 2017. In the 2016/17 Special Adjustment Budget the 2016/17 FMG budget amount was increased by R450 000 to prevent unauthorised expenditures and decreased the Original Budget for 2017/18 financial year. Therefore the FMG was overspent in 2016/17 financial year and funding for the R450 000 will be received during the 2017/18 financial year.

16.3.2 National Governments: Rural Road Asset Management Systems Grant

	2021 R	2020 R
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	2 890 000	3 037 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 799 656)	(3 037 000)
Conditions met - transferred to Revenue: Capital Expenses	(90 344)	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

16.3.3 National Governments: EPWP Incentive Grant

	2021	2020
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 089 000
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	(1 089 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

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

16.3.4 Provincial Government: Disaster Management - Near Project Grant

	2021	2020
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	-	246 000
Conditions met - transferred to Revenue: Operating Expenses	-	(246 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

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

16.3.5 Provincial Government: Housing Accreditation DPLG National Grant

	2021	2020
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	600 000	750 000
Conditions met - transferred to Revenue: Operating Expenses	(600 000)	(750 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

	2021 R	2020 R
16.3.6 Provincial Government: HIV and AIDS Grant (Provincial Health Department)		
Allocations Not Gazetted:		
Balance unspent at beginning of year	283 533	462 289
Current year receipts	500 000	500 000
Conditions met - transferred to Revenue: Operating Expenses	(249 550)	(678 756)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	**533 983**	**283 533**

The purpose of this grant is to sustain and extend coverage of the ward-based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support ward structures to address AIDS in the local community.

16.3.7 Summary of Conditional Grants:

	2021 R	2020 R
Balance unspent at beginning of year	283 533	462 289
Current year receipts	5 990 000	6 622 000
Conditions met - transferred to Revenue: Operating Expenses	(5 649 207)	(6 800 756)
Conditions met - transferred to Revenue: Capital Expenses	(90 344)	-
Conditions still to be met - transferred to Liabilities	**533 983**	**283 533**
Grants classified under Receivables from Non-exchange Transactions	-	-
Unspent Conditional Grants - Current Liabilities (see Note 12)	**533 983**	**283 533**

17 RENTAL FROM FIXED ASSETS

	2021 R	2020 R
Straight-lined Operating Lease Revenue		
Other Fixed Assets	2 078	3 893
Property Plant and Equipment	2 078	3 893
Total Rental of Facilities and Equipment	**2 078**	**3 893**

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

18 INTEREST AND RENT ON LAND EARNED

	2021 R	2020 R
External Investments:		
Bank Account	67 870	89 982
Investments	494 234	628 871
	562 104	**718 853**
Outstanding Exchange Receivables:		
Long-term Debtors		
Housing & Housing Selling Schemes	765	854
Outstanding Billing Debtors		
Property Rental Debtors	-	6 751
	765	**7 604**
Total Exchange Interest Earned	**562 869**	**726 457**

19 OPERATIONAL REVENUE

	2021 R	2020 R
LGSETA Skills Programmes and Learnerships	50 494	520 959
Commission	70 257	54 320
Merchandising, Jobbing and Contracts	254 313	887
Skills Development Levy Refund	167 161	108 947
Total Operational Revenue	**542 225**	**685 113**

LGSETA Skills Programmes and Learnerships were received for Student Education Programmes which were fully spent during 2018/19 financial year.

20 EMPLOYEE RELATED COSTS

	2021 R	2020 R
Salaries and Wages		
Basic	35 929 837	33 597 712
Senior Management	2 582 288	1 921 176
Municipal Staff	33 347 549	31 676 537
Bonuses	525 207	444 546
Senior Management - Performance Bonus	525 207	444 546
Shift Work Allowance	894 560	827 494
Municipal Staff	894 560	827 494
Allowances		
Acting and Post Related Allowances	209 155	142 033
Senior Management	19 534	-
Municipal Staff	189 621	142 033
Annual Bonus Allowance	2 780 089	2 927 693
Senior Management	-	229 495
Municipal Staff	2 780 089	2 698 198
Cellular and Telephone	246 908	140 900
Senior Management	8 800	-
Municipal Staff	238 108	140 900
Housing Benefits	371 017	364 148
Senior Management	26 556	31 200
Municipal Staff	344 462	332 948
Scarcity Allowance	56 693	80 726
Senior Management	56 693	80 726
Standby Allowance	10 200	10 200
Municipal Staff	10 200	10 200
Travel or Motor Vehicle	4 663 885	4 341 565
Senior Management	1 285 417	1 124 362
Municipal Staff	3 378 467	3 217 203
Uniform/Special/Protective Clothing	1 394	1 428
Municipal Staff	1 394	1 428
Social Contributions		
Bargaining Council	7 694	8 127
Senior Management	298	336
Municipal Staff	7 395	7 792
Medical	2 188 611	2 021 225
Senior Management	105 833	107 268
Municipal Staff	2 082 779	1 913 957
Pension	6 187 081	5 620 726
Senior Management	196 009	104 734
Municipal Staff	5 991 073	5 515 993
Unemployment Insurance	204 575	179 558
Senior Management	5 609	5 354
Municipal Staff	198 966	174 204

	2021 R	2020 R
Post-retirement Benefit		
Current Service Cost	542 000	520 930
Senior Management	57 800	66 349
Municipal Staff	484 200	454 581
Interest Cost	2 455 000	2 225 181
Senior Management	92 200	69 311
Municipal Staff	2 362 800	2 155 870
Actuarial Gains and Losses	1 307 275	(4 594 097)
Senior Management	(266 800)	(117 471)
Municipal Staff	1 574 075	(4 476 626)
Past Service Cost	-	4 169 000
Senior Management	-	159 800
Municipal Staff	-	4 009 200
Leave Gratuity	591 891	808 427
Senior Management	40 111	34 552
Municipal Staff	551 781	773 874
Long Term Service Awards	1 003 746	1 071 933
Senior Management	(1 228)	27 859
Municipal Staff	1 004 974	1 044 075
Total Employee Related Costs	**60 176 818**	**54 909 455**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Total Post-retirement Benefits included in Employee Related Cost Note above:	**5 899 912.98**	**4 201 373.13**

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	888 887	731 574
Acting Allowance	-	-
Annual Bonus	-	100 000
Performance Bonus	164 719	139 188
Car, Cellphone and Housing Allowance	378 179	435 492
Total	**1 431 785**	**1 406 254**

Remuneration of Director: Financial Services

Annual Remuneration	511 952	607 748
Acting Allowance	19 534	-
Annual Bonus	-	80 000
Scarce Skills Allowance	56 693	80 726
Performance Bonus	134 526	131 126
Car, Cellphone and Housing Allowance	180 794	298 945
Company Contributions to Medical and Pension Funds	37 859	53 634
Total	**941 357**	**1 252 179**

The post was vacant as from 15 March 2021 to 30 June 2021. Acting Allowances were paid for the period.

Remuneration of the Director: Corporate Services

Annual Remuneration	618 937	581 854
Annual Bonus	-	49 495
Performance Bonus	145 301	136 433
Car, Cellphone and Housing Allowance	504 238	421 125
Company Contributions to Medical and Pension Funds	163 344	158 368
Total	**1 431 820**	**1 347 274**

	2021 R	2020 R
Remuneration of the Director: Planning & Development		
Annual Remuneration	562 513	-
Annual Bonus	-	-
Performance Bonus	-	22 739
Car, Cellphone and Housing Allowance	257 562	-
Company Contributions to Medical and Pension Funds	103 393	-
Total	**923 468**	**22 739**

The post was filled from 01 August 2020. No acting allowances were paid for the period.

Summary of Remuneration of Section 57 Employees:

	2021	2020
Annual Remuneration	2 582 288	1 921 176
Annual Bonus	-	229 495
Scarce SkillsAllowance	56 693	80 726
Acting Allowance	19 534	-
Performance Bonus	444 546	429 485
Car, Cellphone and Housing Allowance	1 320 773	1 155 562
Company Contributions to Medical and Pension Funds	304 596	212 002
Total Remuneration of Section 57 Employees	**4 728 429**	**4 028 446**

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

	2021	2020
Staff Leave Benefits:-		
Municipal Manager	79 143	73 567
Director: Financial Services	-	50 010
Director: Planning & Development	28 080	-
Director: Corporate Services	4 751	28 509
Total	**111 975**	**152 085**

21 REMUNERATION OF COUNCILLORS

	2021	2020
Executive Mayor	860 859	771 317
Speaker	583 163	677 051
Executive Committee	2 290 552	2 205 443
Section 79 committee chairperson	66 748	65 620
Total for All Other Councillors	173 398	130 746
Total Councillors' Remuneration	**3 974 721**	**3 850 177**

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Executive Mayor and Speaker serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the District Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has used a Council owned vehicle for official duties.

Refer to Appendix G for more detail.

22 DEPRECIATION AND AMORTISATION

	2021 R	2020 R
Depreciation: Property, Plant and Equipment	655 986	790 936
Amortisation: Intangible Assets	129 642	130 172
Total Depreciation and Amortisation	**785 628**	**921 108**

22.1 Depreciation: Property, Plant and Equipment

	2021 R	2020 R
Other Assets	82 213	82 465
Computer Equipment	227 995	284 396
Furniture and Office Equipment	34 129	42 633
Machinery and Equipment	200 070	247 808
Transport Assets	111 578	133 633
	655 986	**790 936**

23 IMPAIRMENT LOSSES / (GAINS)

	2021 R	2020 R
Impairment (Gains) on Financial Assets	-	(454 648)
Impairment Losses on Financial Assets	13 137	373 484
Total Impairment Losses / (Gains)	**13 137**	**(81 164)**

23.1 Impairment Losses on Financial Assets

	2021 R	2020 R
Impairment Losses	-	-
Trade and Other Receivables from Exchange Transactions	-	-
Long Term Receivables	-	-
Reversal of Impairment Losses	-	(454 648)
Trade and Other Receivables from Exchange Transactions	-	(454 648)
Long Term Receivables	-	-
Impairment Losses Recognised (written off during the current year):	13 137	373 484
Trade and Other Receivables from Exchange Transactions	13 137	373 484
Long Term Receivables	-	-
	13 137	**(81 164)**

24 INTEREST AND RENT ON LAND PAID

	2021 R	2020 R
Finance Leases	47 835	99 424
Overdue Accounts	980	28 349
Total Interest Expense	48 814	127 773
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest and Rent on Land	**48 814**	**127 773**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

25 CONTRACTED SERVICES

Included in Contracted Services are the following:

Business and Advisory	605 132	462 643
Catering Services	181 276	473 920
Cleaning Services	225 718	210 696
Clearing and Grass Cutting Services	486 950	413 500
Graphic Designers	107 399	20 511
Infrastructure and Planning	1 707 176	2 489 634
Legal Cost	-	42 868
Litter Picking and Street Cleaning	-	99 100
Maintenance of Buildings and Facilities: Operational Buildings	255 184	324 119
Maintenance of Equipment	159 746	270 876
Furniture and Office Equipment	85 203	89 601
Transport Assets	74 543	181 275
Maintenance of Unspecified Assets: Intangible Assets	1 542 773	958 272
Photographer	-	500
Plants, Flowers and Other Decorations	4 900	2 450
Sewerage Services	333 550	143 700
Transportation	41 000	-
	5 650 804	**5 912 789**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

26 INVENTORY CONSUMED

Consumables	128 750	183 853
Materials and Supplies	330 057	144 632
	458 807	**328 485**

27 TRANSFERS AND SUBSIDIES PAID

Operational Grants	594 159	462 173
Allocations In-kind	594 159	461 173
Total Transfers and Subsidies Paid	**594 159**	**462 173**

27.1 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2021	2020	2021	2020
Households	566 605	461 173	-	1 000
Non-profit Institutions	-	-	-	-
Higher Educational Institutions	-	-	-	-
Total Operational Grants Paid	**594 159**	**461 173**	**-**	**1 000**

28 OPERATING LEASES

	2021 R	2020 R
Computer Equipment	12 000	5 160
Other Assets	914 678	972 714
Total for Operating Leases	**926 678**	**977 874**

29 OPERATIONAL COSTS

Included in Operational Costs are the following:

	2021	2020
Achievements and Awards	244 541	259 372
Advertising, Publicity and Marketing	107 647	123 421
External Audit Fees	1 812 945	2 184 935
Bank Charges, Facility and Card Fees	64 427	70 279
Bargaining Council	537 569	510 892
Cleaning Materials	-	520
Courier and Delivery Services	400	3 865
Communication	1 060 805	1 101 791
Entertainment	6 495	4 020
External Computer Service	352 396	349 695
Insurance Underwriting	667 931	500 238
Learnerships and Internships	260 874	832 190
Licences	9 275	3 325
Municipal Services	623 778	660 830
Registration Fees	-	56 443
Printing, Publications and Books	-	-
Professional Bodies, Membership and Subscription	81 629	87 059
Skills Development Fund Levy	467 546	429 803
Toll Gate Fees	-	1 636
Transport Provided as Part of Departmental Activities	-	12 100
Travel and Subsistence	1 329 634	2 693 697
Uniform and Protective Clothing	18 758	9 822
Vehicle Tracking	11 940	8 820
Wet Fuel	242 530	232 045
Workmen's Compensation Fund	89 733	222 464
Samples and Specimens	70 273	64 444
Fines and Penalties	23 640	224 642
Total Operational Costs	**8 084 767**	**10 648 346**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

	2021 R	2020 R
29.1 Travel and Subsistence		
Accommodation & Daily Allowance	592 747	1 085 776
Accommodation	528 281	1 027 654
Daily Allowance	64 466	58 122
Transport without Operator	659 562	1 556 641
Transport with Operator	6 141	44 823
Domestic	**1 258 450**	**2 687 241**
Non-employees	**71 184**	**6 456**
Total of Travel and Subsistence	**1 329 634**	**2 693 697**

No other extra-ordinary expenses were incurred.

30 GAINS / (LOSSES) ON DISPOSAL OF CAPITAL ASSETS

	2021	2020
Gains/(Losses) on write-offs of Property, Plant and Equipment	(156 305)	(757 395)
Gains/(Losses) on write-offs of Intangible Assets	-	-
Total Gains / (Losses) on Disposal of Capital Assets	**(156 305)**	**(757 395)**
Total Gains on Disposal of Capital Assets	**-**	**-**
Total Losses on Disposal of Capital Assets	**156 305**	**757 395**

31 CHANGE IN ACCOUNTING POLICY

31.1 GRAP 25 - Employee Benefits

The Accounting Standard for Employee Benefits has been recognised in the Annual Financial Statements of the District Municipality as at 30 June 2021 in terms of GRAP 25.

The District Municipality has changed the Post Retirement Healthcare Policy regarding GRAP 25 (Employee Benefits). From 1 April 2019 the District Municipality applied a cap amount, based on the Bargaining Council's cap amount, on the 70% Council contribution to continuation members but from 31 March 2020 no cap amount was applied. The change is applied prospectively and there is no need for restatement of prior year figures as the policy was approved by Council on 28 February 2020.

The above-mentioned changes in Post Retirement Healthcare Policy had no effect on the Accumulated Surplus of prior years, the Statement of Financial Performance increased and Statement of Financial Position decreased by R0 (2020: R4 169 000) (Past-service Cost) on 30 June 2020.

Refer to Employee Benefit Liabilities (Note 14).

32 CORRECTION OF ERROR

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of mSCOA as stated above resulted in certain descriptions and figures being restated.
Other corrections were also made during the previous financial years. Details of the corrections are described below:

32.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the District Municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2019		**(22 130 051)**
Correction of Error:		7 488
Correction of VAT Receivable		
Correction of VAT Payable		
Correction of Trade and Other Payable Exchange Transactions	7 488	
Restated Balances as at 30 June 2019		**(22 122 563)**
Transactions incurred for the Year 2019/20		189 749
Correction of Error:-		(94 678)
Correction of VAT Receivable	50 409	
Correction of Trade and other Receivables from Exchange Transactions	12 969	
Correction of Trade and Other Payable Exchange Transactions	(158 057)	
Correction of Financial Liabilities		
Restated Balances as at 30 June 2020		**(22 027 492)**

32.2 Reclassification of Revenue

No prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated.

32.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the District Municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Correction of Error	Restated Amount 2019/20
Employee Related Costs	55 748 983	(839 527)	54 909 455
Remuneration of Councillors	3 850 177	-	3 850 177
Depreciation and Amortisation	921 108	-	921 108
Impairment Losses	373 484	-	373 484
Interest and Rent on Land	120 142	7 631	127 773
Contracted Services	5 046 723	866 066	5 912 789
Inventory Consumed	328 485	-	328 485
Transfers and Subsidies Paid	462 173	-	462 173
Operating Leases	977 874	-	977 874
Operational Costs	10 587 838	60 508	10 648 346
Loss on Disposal of PPE	757 395	-	757 395
	79 174 382	**94 678**	**79 269 060**

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

Employee Related Costs:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 SARS penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R118 890, Employee Related Cost was increased by R66 369. Interest, Dividends and Rent on Land was increased by R1 147 and Operational Cost was increased by R51 374 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality made a payment to an official but was not disclosed in the 2019/20 financial year. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R12 969, Trade and Other Payable Exchange Transactions was increased by R20 762 and Employee Related Cost were increased by R7 794 on 30 June 2020.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed contract workers under Employee Related Cost on 30 June 2020. Therefore Employee Related Cost was retrospectively decreased by R913 690, Contracted Services were increased by R720 876 and Operational Cost were increased by R192 814 on 30 June 2019.

Interest and Rent on Land:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 SARS penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R118 890, Employee Related Cost was increased by R66 369. Interest, Dividends and Rent on Land was increased by R1 147 and Operational Cost was increased by R51 374 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 Compensation Commissioner penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R14 856, Interest, Dividends and Rent on Land was increased by R6 484 and Operational Cost was increased by R8 372 on 30 June 2020.

Contracted Services:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Contracted Services as Operational Cost in 2019/20 financial year. Therefore Contracted Services were retrospectively increased by R145 191, Operational Cost was decreased by R195 075 and VAT Receivables were increased by R49 884 on 30 June 2020.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed contract workers under Employee Related Cost on 30 June 2020. Therefore Employee Related Cost was retrospectively decreased by R913 690, Contracted Services were increased by R720 876 and Operational Cost were increased by R192 814 on 30 June 2019.

Operational Costs:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 SARS penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R118 890, Employee Related Cost was increased by R66 369. Interest, Dividends and Rent on Land was increased by R1 147 and Operational Cost was increased by R51 374 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 SABC licences and penalties as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R477 and Operational Cost was decreased by R477 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 Compensation Commissioner penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R14 856, Interest, Dividends and Rent on Land was increased by R6 484 and Operational Cost was increased by R8 372 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Contracted Services as Operational Cost in 2019/20 financial year. Therefore Contracted Services were retrospectively increased by R145 191, Operational Cost was decreased by R195 075 and VAT Receivables were increased by R49 884 on 30 June 2020.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed contract workers under Employee Related Cost on 30 June 2020. Therefore Employee Related Cost was retrospectively decreased by R913 690, Contracted Services were increased by R720 876 and Operational Cost were increased by R192 814 on 30 June 2019.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not a transaction as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Operational Cost was retrospectively increased by R3 500, VAT Receivables were increased by R525 and Trade and Other Payable Exchange Transactions were increased by R4 025 on 30 June 2020.

32.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the Municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Correction of Error	Restated Amount 2019/20
Current Assets			
Receivables from Exchange Transactions	277 857	12 969	290 825
VAT Receivable	540 335	50 409	590 745
Cash and Cash Equivalents	1 021 568	-	1 021 568
Current Portion of Long-term Receivables	8 902	-	8 902
Non-Current Assets			
Property, Plant and Equipment	20 329 786	-	20 329 786
Intangible Assets	266 989	-	266 989
Long-term Receivables	18 633	-	18 633
Current Liabilities			
Provisions	2 807 546	-	2 807 546
Payables from Exchange Transactions	10 367 080	150 569	10 517 649
Unspent Conditional Grants and Receipts	283 533	-	283 533
Current Portion of Long-term Liabilities	293 310	-	293 310
Non-Current Liabilities			
Long-Term Liabilities	160 902	-	160 902
Retirement Benefit Liabilities	30 492 000	-	30 492 000
Net Assets			
Accumulated Surplus / (Deficit)	(21 940 302)	(87 191)	(22 027 492)
	-	-	-

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

Receivables from Exchange Transactions:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality made a payment to an official but was not disclosed in the 2019/20 financial year. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R12 969, Trade and Other Payable Exchange Transactions was increased by R20 762 and Employee Related Cost were increased by R7 794 on 30 June 2020.

VAT Receivable:

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Contracted Services as Operational Cost in 2019/20 financial year. Therefore Contracted Services were retrospectively increased by R145 191, Operational Cost was decreased by R195 075 and VAT Receivables were increased by R49 884 on 30 June 2020.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not a transaction as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Operational Cost was retrospectively increased by R3 500, VAT Receivables were increased by R525 and Trade and Other Payable Exchange Transactions were increased by R4 025 on 30 June 2020.

Payables from Exchange Transactions:

Opening Balance adjustment

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2017/18 & 2018/19 SARS penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R69 208 and Accumulated Surplus was decreased by R69 208 on 30 June 2019.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2017/18 & 2018/19 SABC licences and penalties as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R2 968 and Accumulated Surplus was decreased by R2 968 on 30 June 2019.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2017/18 & 2018/19 Compensation Commissioner penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2019 and Department of Labour has not allocated all payments to ZFM's account. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R79 663 and Accumulated Surplus was increased by R79 663 on 30 June 2019.

Closing Balance adjustment

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 SARS penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R118 890, Employee Related Cost was increased by R66 369, Interest, Dividends and Rent on Land was increased by R1 147 and Operational Cost was increased by R51 374 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 SABC licences and penalties as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R477 and Operational Cost was decreased by R477 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose 2019/20 Compensation Commissioner penalties and interest as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R14 856, Interest, Dividends and Rent on Land was increased by R6 484 and Operational Cost was increased by R8 372 on 30 June 2020.

During the preparation of the 2020/21 Annual Financial Statements it was noted that ZF Mgcawu District Municipality made a payment to an official but was not disclosed in the 2019/20 financial year. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R12 969, Trade and Other Payable Exchange Transactions was increased by R20 762 and Employee Related Cost were increased by R7 794 on 30 June 2020.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not a transaction as Trade and Other Payable Exchange Transactions on 30 June 2020. Therefore Operational Cost was retrospectively increased by R3 500, VAT Receivables were increased by R525 and Trade and Other Payable Exchange Transactions were increased by R4 025 on 30 June 2020.

	2021 R	2020 R

33 CHANGE IN ACCOUNTING ESTIMATES

33.1 Depreciation Expenditure:

The estimated useful lives and depreciation method were reviewed at 30 June 2021 and no changes were made for the 2020/21 financial year.
Adjustments were made to the remaining useful lives and residual values in the current year and affected the amount of depreciation for the 2020/21 financial year. The adjustments are as follows:

	2021 R	2020 R
Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	-	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(128 361)	(25 414)
Increase / (Decrease) in Depreciation of PPE	**(128 361)**	**(25 414)**
Depreciation as previously stated	913 988	946 522
Adjustment due to Change in Accounting Estimate	(128 361)	(25 414)
Depreciation as per Note 22	**785 628**	**921 108**

34 CASH GENERATED BY OPERATIONS

	2021 R	2020 R
Surplus / (Deficit) for the Year	374 512	95 071
Adjustment for:		
Depreciation and Amortisation	785 628	921 108
Losses / (Gains) on Disposal of Property, Plant and Equipment	156 305	757 395
Losses / (Gains) on Disposal of Intangible Assets	-	-
Contribution to Post-retirement Employee Benefits	4 304 275	2 321 013
Expenditure incurred from Post-retirement Employee Benefits	(1 715 275)	(1 608 808)
Contribution to Long Service Awards Liability	1 003 746	1 071 934
Expenditure incurred from Long Service Awards Liability	(713 746)	(669 064)
Contribution to Provisions - Current: Performance Bonus	525 207	444 546
Expenditure incurred from Provisions - Current: Performance Bonus	(444 546)	(429 485)
Contribution to Impairment Provision - Receivables from Exchange Transactions	-	(454 648)
Contribution to Impairment Provision - Long-term Receivables	-	-
Bad Debts Written-off: Receivables from Exchange Transactions	13 137	373 484
Operating surplus before working capital changes	**4 289 242**	**2 822 545**
Decrease/(Increase) in Receivables from Exchange Transactions	(75 603)	100 722
Decrease/(Increase) in Receivables from Non-exchange Transactions	(121 515)	-
Decrease/(Increase) in VAT Receivable	(363 255)	(590 745)
Decrease/(Increase) in Current Portion of Long-term Receivables	2 500	6 660
Increase/(Decrease) in Payables from Exchange Transactions	(1 547 324)	(862 858)
Increase/(Decrease) in Conditional Grants and Receipts	250 450	(178 756)
Increase/(Decrease) in VAT Payable	-	(1 223 887)
Increase/(Decrease) in Operating Lease Liabilities	(45 271)	33 433
Cash generated by / (utilised in) Operations	**2 389 224**	**107 114**

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised Expenditure

	2021 R	2020 R
Reconciliation of Unauthorised Expenditure:		
Opening balance	-	-
Unauthorised Expenditure identified in current year	-	1 160 795
Approved by Council	-	(1 160 795)
Transfer to receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	**-**	**-**

No Unauthorised Expenditures incurred for 2020/21 financial year:

Unauthorised Expenditures incurred for 2019/20 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Budgeted Expenditure votes exceeded:		
- Finance and Administration	*Written off by Councilin 2019/20 & 2020/21*	1 160 795
	Total:	**1 160 795**

The reasons for the unauthorised expenditure during 2019/20:

1) ZFM under budgeted for Employee Benefits during the 2019/20 financial year due to the change in the Post-retirement Health Care Benefits Liability Policy. Refer to Note 30.1. This resulted in unauthorised expenditure of R1 160 795.

Condonement of non-compliance of a regulation:
In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.
Recoverability of expenditures:
ZF Mgcawu District Municipality has investigated all unauthorised expenditures. Each instance and reason for the items that lead to unauthorised expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these unauthorised expenditures and must be written off during the 2019/20 financial year.

35.2 Fruitless and Wasteful Expenditure

	2021 R	2020 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	-	67 993
Fruitless and Wasteful Expenditure identified in current year	522 722	611 335
Expenditure investigated and approved by Council	(401 208)	(679 328)
To be recovered – Receivables from Exchange Transactions (refer Note 2.)	-	-
To be recovered – Long-term Receivables (refer Note 9)	(121 515)	-
Recouped from Salaries Payable	-	-
Fruitless and Wasteful Expenditure awaiting condonement	**0**	**-**

Fruitless and Wasteful expenditure summary for 2020/21 financial year:

Incident	Disciplinary Steps / Criminal	R
Compensation Commissioner: Penalties & Interest on the late payment of 2017/18 assessments.	Written of by Council in 2020/21	8 683
Compensation Commissioner: Penalties & Interest on the late payment of 2018/19 assessments.	Written of by Council in 2020/21	15 322
Compensation Commissioner: Penalties & Interest on the late payment of 2019/20 assessments.	Written of by Council in 2020/21	14 856
Compensation Commissioner: Penalties & Interest on the late payment of 2020/21 assessments.	Written of by Council in 2020/21	980
Debit orders decucted from bank account without ZFM's approval. The total amount of the various debit orders was R240 942 of which R132 978 was recovered by ABSA. This was reported as fraud and the investigation by SAPS & ZFM is still in progress.	To be recovered – Long-term Receivables	107 964
A duplicae payment were made to Mr. Khumula. The payment is under investigation and will be recovered.	To be recovered – Long-term Receivables	13 551
TV License: Penalties paid on outstanding account.	Written of by Council in 2020/21	901
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2017/18 SARS assessments.	Written of by Council in 2020/21	149 156
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2018/19 SARS assessments. R80 651 written off during 2019/20 financial year.	Written of by Council in 2020/21	193 916
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2019/20 SARS assessments. R220158 written off during 2019/20 financial year.	Written of by Council in 2020/21	17 393
	Total:	**522 722**

Fruitless and Wasteful expenditure summary for 2019/20 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
SARS: VAT Penalties & Interest paid after VAT was incorrectly claimed from April 2017 until August 2018.	Written of by Council in 2019/20	308 936
TV License: Interest paid on outstanding account	Written of by Council in 2019/20	1 590
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2018/19 SARS assessments.	Written of by Council in 2019/20	80 651
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2019/20 SARS assessments.	Written of by Council in 2019/20	220 158
	Total:	**611 335**

Fruitless and Wasteful expenditure summary for 2017/18 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
During 2017/18 financial year it was noted that debit orders were deducted from our primary bank account and the bank was informed but the money was not recovered yet. This was reported as fraud and the investigation is still in progress.	Written of by Council in 2019/20	11 950
	Total:	**11 950**

Fruitless and Wasteful expenditure summary for 2014/15 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Payment into incorrect bank account: Documentation was received by ZFM to change the banking details of Usentra (Edms) Bpk but ZFM did not confirm this with Usentra (Edms) Bpk. Usentra (Edms) Bpk informed ZFM that they did not receive the rental for April 2015. After investigation by ZFM it was evident that the documentation received by ZFM was fabricated and that the money was paid to another person's bank account and withdrawn by the person on the same day. This was reported to the South African Police Services for further investigation.	Written of by Council in 2019/20	56 043
	Total:	**56 043**

Condonement of non-compliance of a regulation:
In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.
Recoverability of expenditures:
ZF Mgcawu District Municipality has investigated all fruitless and wasteful expenditures. Each instance and reason for the items that lead to fruitless and wasteful expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these fruitless and wasteful expenditures and must be written off during the 2019/20 financial year.

	2021 R	2020 R
35.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	37 821	2 850 161
Irregular Expenditure identified in current year	3 040 507	4 130 152
Written off by Council	(3 078 328)	(6 942 492)
Irregular Expenditure awaiting condonement	**(0)**	**37 821**

Irregular Expenditure summary for 2020/21 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Written of by Council during 2020/21	1 043 233
Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Written of by Council during 2020/21	392 316
Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZF Mgcawu District Municipality.	Written of by Council during 2020/21	1 604 957
	Total:	**3 040 507**

Irregular Expenditure summary for 2019/20 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Non-compliance with Paragraph 11(2) of the Preferential Procurement Regulations (PPR) 2017 . Mapulane Stationery & Books - License.	Written of by Council during 2020/21	37 821
Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Written of by Council during 2019/20	392 316
Non-compliance with SCM Regulation 29(2). AON - Insurance contract.	Written of by Council during 2019/20	489 325
Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Written of by Council during 2019/20	952 725
Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZF Mgcawu District Municipality.	Written of by Council during 2019/20	2 257 965
	Total:	**4 130 152**

Irregular Expenditure summary for 2018/19 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Written of by Council during 2019/20	294 237
Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Written of by Council during 2019/20	633 884
Non-compliance with SCM Regulation 29(2). Divine Inspiration Trading - ICT Infrastructure.	Written of by Council during 2019/20	336 335
Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZF Mgcawu District Municipality.	Written of by Council during 2019/20	1 585 705
	Total:	**2 850 161**

Condonement of non-compliance of a regulation:
In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.
Recoverability of expenditures:
ZF Mgcawu District Municipality has investigated all irregular expenditures. Each instance and reason for the items that lead to irregular expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these irregular expenditure and must be written off during the 2019/20 financial year.

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2021 R	2020 R
36.1 Contributions to organised local government - SALGA (incl.VAT)		
Opening Balance	53 360	75 161
Council Subscriptions	(590 929)	(532 390)
Subscriptions Amount Paid - current year	537 569	510 892
Subscriptions Amount Paid - previous years	-	-
Council Members Assembly and Levies	(8 250)	(303)
Members Assembly and Levies Amount Paid - current year	-	-
Balance Unpaid (included in Payables from Exchange Transactions)	**(8 250)**	**53 360**
36.2 Audit Fees (incl. VAT)		
Opening Balance	(1 213 722)	(766 409)
Current year Audit Fee	(2 084 886)	(2 511 175)
Amount Paid by National Treasury	352 391	1 197 453
Amount Paid - current year	20 000	100 000
Amount Paid - previous years	1 213 722	766 409
Balance Unpaid (included in Payables from Exchange Transactions)	**(1 712 495)**	**(1 213 722)**

36.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 4. All VAT returns have been submitted by the due date throughout the year.

	2021 R	2020 R
36.4 PAYE, Skills Development Levy and UIF		
Opening Balance	1 126 874	1 816 020
Current year Payroll Deductions	9 598 762	9 635 158
Amount Paid - current year	(9 491 817)	(8 558 998)
Amount Paid - previous years	(1 126 874)	(1 765 306)
Balance Unpaid (included in Payables from Exchange Transactions)	**106 945**	**1 126 874**

	2021 R	2020 R
Balance Unpaid - June	106 945	1 126 874
Balance Unpaid (included in Payables from Exchange Transactions)	**106 945**	**1 126 874**

36.5 Pension and Medical Aid Deductions

	2021 R	2020 R
Opening Balance	1 189 776	1 089 749
Current year Payroll Deductions and Council Contributions	11 725 337	12 325 002
Amount Paid - current year	(11 611 906)	(11 131 790)
Amount Paid - previous years	(1 189 776)	(1 093 185)
Balance Unpaid (included in Payables from Exchange Transactions)	**113 431**	**1 189 776**

The unpaid balance refer to June month's outstanding balance and is payable before 7 July.

36.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

36.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

36.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

Deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
EXECUTIVE AND COUNCIL	Various	31	Impractical for procurement processes	185 231
	Various	14	Single provider only	193 542
	Various	2	Emergency	32 756
47 Occasions during the year amounts to R411 529				
FINANCE AND ADMINISTRATION	Various	43	Impractical for procurement processes	996 066
	Various	25	Single provider only	2 933 865
	Various	2	Emergency	31 633
70 Occasions during the year amounts to R1 027 699				
ENVIRONMENTAL HEALTH	Pathcare	1	Single provider only	87 439
1 Occasions during the year amounts to R87 439				
			Total:	**4 460 531**

36.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

37 ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BALCK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

38 COMMITMENTS FOR EXPENDITURE

38.1 Capital Commitments

The Municipality had no capital commitments at year-end.

38.2 Other Commitments

	2021 R	2020 R
- Approved and Contracted for:-	**6 090 291**	**6 906 120**
Office Space Rentals	450 983	1 494 217
Rural Roads Asset Manage Systems	-	1 604 957
LGSETA Learnerships Programmes - TAG 443	1 895 640	3 159 950
LGSETA Learnerships Programmes - Summat Training Institute	107 730	107 730
LGSETA Learnerships Programmes - Gomolemo's Consultation	33 111	33 111
Copier Machine Rentals	98 079	490 395
PMS System	838 305	-
Skills Programme - ARMS	981 125	-
Skills Programme - KGOLO Trading	1 667 000	-
Outstanding orders	18 318	15 760
- Approved but Not Yet Contracted for:-	**2 011 350**	**-**
General Voice Equipment	2 011 350	-
Total Capital Commitments	**8 101 641**	**6 906 120**
This expenditure will be financed from:		
Government Grants	-	1 604 957
LGSETA	2 036 481	3 300 791
Own Resources	6 065 160	2 000 372
	8 101 641	**6 906 120**

Office Space Rentals:

The District Municipality has a lease agreement with Crystal Lagoon to rent office space from 1 December 2018 to 30 November 2021. There are annual escalations which are included in the total tender value of R2 974 220 (incl. VAT). The tender was awarded in November 2018 .

On 30 June 2021 the outstanding commitment to Crystal Lagoon was R450 983 (incl. VAT). Crystal Lagoon was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Rural Roads Asset Manage Systems:

The District Municipality has awarded a tender to Aganang to render implementation and management of the rural roads assets from April 2019 until June 2021. There are no annual escalations and the total tender value of R5 042 967 (incl. VAT) was awarded in April 2019.

On 30 June 2021 the outstanding commitment to Aganang was R0 (incl. VAT). Aganang was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - TAGG 443:

The District Municipality has a contracted value of R5 828 000 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years. During 2019/20 financial year LGSETA terminated programs and therefore the tender value was reduced by R2 154 400. During 2020/21 financial year LGSETA terminated programs and therefore the tender value was further reduced by R1 292 700.

The District Municipality has awarded a tender to TAG 443 to implement a skills programme and learnerships in the ZF Mgcawu District from May 2018 until June 2020. There are no annual escalations and the total tender value of R5 643 500 (incl. VAT) was awarded in April 2018. The new approved tender value is R2 196 400 (incl. VAT) until 30 June 2022.

On 30 June 2021 the outstanding commitment to TAGG 443 was R1 895 640 (incl. VAT). TAG 443 was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - Summat Training Institute:

The District Municipality has a contracted value of R988 800 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years. During 2019/20 financial year LGSETA terminated programs and therefore the tender value was reduced by R438 240 during 2019/20 financial year.

The District Municipality has awarded a tender to Summat Training Institute to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R557 940 (incl. VAT) was awarded in December 2017. The new approved tender value is R119 700 (incl. VAT) until 30 June 2022.

On 30 June 2021 the outstanding commitment to Summat Training Institute was R107 730 (incl. VAT). Summat Training Institute was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - Gomolemo's Consultation:

The District Municipality has a contracted value of R43 200 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years.

The District Municipality has awarded a tender to Gomolemo's Consultation to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R36 790 (incl. VAT) was awarded in December 2017. The tender was extended to 30 June 2022.

On 30 June 2021 the outstanding commitment to Gomolemo's Consultation was R33 111 (incl. VAT). Gomolemo's Consultation was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Copier Machines:

The District Municipality has an rental and maintenance agreement with ITEC for copier machines from 1 October 2018 to 30 September 2021. There are no annual escalations and the total tender value of R1 176 948 (incl. VAT) was awarded in September 2018.

On 30 June 2021 the outstanding commitment to ITEC was R98 079 (incl. VAT). ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

PMS System:

The District Municipality has an rental and maintenance agreement with Action IT for a PMS System from 9 February 2021 to 8 February 2022. There are no annual escalations and the total tender value of R943 805 (incl. VAT) was awarded in February 2021.

On 30 June 2021 the outstanding commitment to Action IT was R838 305 (incl. VAT). Action IT was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Outstanding Orders:

The District Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the District Muncipality has a commitment with suppliers to render services or goods after year-end.

LGSETA Skills Programmes and Learnerships - ARMS:

The District Municipality has a contracted value of R1 284 000 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches from 2020/21 to 2021/22 financial years.

The District Municipality has awarded a tender to ARMS to implement a skills programme and learnerships in the ZF Mgcawu District from February 2021 until June 2022. There are no annual escalations and the total tender value of R981 125 (incl. VAT) was awarded in February 2021.

On 30 June 2021 the outstanding commitment to ARMS was R981 125 (incl. VAT). ARMS was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - KGOLO Trading:

The District Municipality has a contracted value of R981 125 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches from 2020/21 to 2021/22 financial years.

The District Municipality has awarded a tender to KGOLO Trading to implement a skills programme and learnerships in the ZF Mgcawu District from February 2021 until June 2022. There are no annual escalations and the total tender value of R1 667 000 (incl. VAT) was awarded in February 2021.

On 30 June 2021 the outstanding commitment to KGOLO Trading was R1 667 000 (incl. VAT). KGOLO Trading was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

General Voice Equipment:

The District Municipality has an agreement with ITEC to rent and maintenance a telephone system from 1 July 2021 to 30 June 2024. There are no annual escalations and the total tender value of R2 194 200 (incl. VAT) was awarded in April 2021 . An advance payment of R182 850 was made during 2020/21 for the installation of the system.

On 30 June 2021 the outstanding commitment to ITEC was R2 011 350 (incl. VAT) but was not contracted for. ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

39 FINANCIAL INSTRUMENTS

39.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the District Municipality are classified as follows:

Financial Assets	Classification	2021 R	2020 R
Long-term Receivables			
Finance Lease Receivable	Amortised cost	10 774	12 709
Staff Related Long Term Receivables	Amortised cost	3 523	5 923
Staff Related - Maternity Leave Debtors	Amortised cost	3 523	5 923
Receivables from Exchange Transactions			
Merchandising, Jobbing and Contracts	Amortised cost	51 669	172 053
Prepayments and Advances	Amortised cost	301 623	118 773
Receivables from Non-exchange Transactions			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	Amortised cost	121 515	-
Cash and Cash Equivalents			
Call Deposits	Amortised cost	20 382	562
Bank Balances	Amortised cost	2 260 378	1 021 006
Cash Floats and Advances	Fair value	443	-
Current Portion of Long-term Receivables			
Finance Lease Receivable	Amortised cost	3 600	3 600
Staff Related Long Term Receivables	Amortised cost	2 802	5 302
Performance Bonus Debtors	Amortised cost	-	-
Maternity Leave Debtors	Amortised cost	2 400	2 400
Acting Allowance Debtors	Amortised cost	402	2 902

SUMMARY OF FINANCIAL ASSETS

		2021 R	2020 R
Financial Assets at Amortised Cost:			
Long-term Receivables	Finance Lease Receivable	10 774	12 709
Long-term Receivables	Staff Related Long Term Receivables	3 523	5 923
Receivables from Exchange Transactions	Property Rental Debtors	51 669	172 053
Receivables from Exchange Transactions	Prepayments and Advances	301 623	118 773
Receivables from Non-exchange Transactions	Unauthorised, Irregular, Fruitless and	121 515	-
Current Portion of Long-term Receivables	Finance Lease Receivable	3 600	3 600
Current Portion of Long-term Receivables	Staff Related Long Term Receivables	2 802	5 302
Cash and Cash Equivalents	Call Deposits	20 382	562
Cash and Cash Equivalents	Bank Balances	2 260 378	1 021 006
		2 776 266	1 339 928
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	443	-
		443	-
Total Financial Assets		**2 776 709**	**1 339 928**

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the District Municipality are classified as follows:

Financial Liabilities	Classification	2021 R	2020 R
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	-	82 592
Payables from Exchange Transactions			
Advance Payments	Amortised cost	127 681	373 209
Other Payables: Salary Clearing and Control	Amortised cost	315 320	1 264 726
Salary Related Payables	Amortised cost	228 470	1 921 412
Trade Creditors	Amortised cost	2 702 294	1 873 003
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	82 592	293 310

SUMMARY OF FINANCIAL LIABILITIES

		2021 R	2020 R
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	-	82 592
Payables from Exchange Transactions	Advance Payments	127 681	373 209
Payables from Exchange Transactions	Other Payables	315 320	1 264 726
Payables from Exchange Transactions	Salary Related Payables	228 470	1 921 412
Payables from Exchange Transactions	Trade Creditors	2 702 294	1 873 003
Current Portion of Long-term Liabilities	Finance Lease Liabilities	82 592	293 310
		3 456 359	5 808 252
Total Financial Liabilities		**3 456 359**	**5 808 252**

39.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the District Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties as well as the current payment ratio's of the District Municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2021, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2021		30 June 2020	
	Carrying Amount R	**Fair Value R**	**Carrying Amount R**	**Fair Value R**
FINANCIAL ASSETS				
Measured at Amortised Cost:	2 776 266	2 776 266	1 339 928	1 339 928
Call Deposits	20 382	20 382	562	562
Bank Balances	2 260 378	2 260 378	1 021 006	1 021 006
Long-term Receivables	14 297	14 297	18 633	18 633
Trade Receivables from Exchange Transactions	353 292	353 292	290 825	290 825
Current Portion of Long-term Receivables	6 402	6 402	8 902	8 902

	30 June 2021		30 June 2020	
	Carrying Amount R	**Fair Value R**	**Carrying Amount R**	**Fair Value R**
Measured at Fair Value	443	443	-	-
Cash and Cash Equivalents	443	443	-	-
Total Financial Assets	2 776 709	2 776 709	1 339 928	1 339 928
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	3 456 359	3 456 359	5 808 252	5 808 252
Finance Lease Liabilities	-	-	82 592	82 592
Trade and Other Payables:				
- Payables from Exchange Transactions	3 373 766	3 373 766	5 432 350	5 432 350
- Current Portion of Long-term Liabilities	82 592	82 592	293 310	293 310
Total Financial Liabilities	3 456 359	3 456 359	5 808 252	5 808 252
Total Financial Instruments	(679 649)	(679 649)	(4 468 325)	(4 468 325)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the District Municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2021

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	443	-	443
Total Financial Assets	-	443	-	443
Total Financial Instruments	-	443	-	443

30 June 2020

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	-	-	-
Total Financial Assets	-	-	-	-
Total Financial Instruments	-	-	-	-

39.3 Capital Risk Management

The District Municipality manages its capital to ensure that the District Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The District Municipality's overall strategy remains unchanged from 2020.

The capital structure of the District Municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Gearing Ratio

	2021 R	2020 R
The gearing ratio at the year-end was as follows:		
Debt	82 592	375 902
Cash and Cash Equivalents	(2 281 203)	(1 021 568)
Net Debt	(2 198 611)	(645 665)
Equity	(21 652 980)	(22 027 492)
Net debt to equity ratio	**10.15%**	**2.93%**

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the District Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

39.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the District Municipality's risk management framework. The District Municipality's risk management policies are established to identify and analyse the risks faced by the District Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the District Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The District Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the District Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

39.5 Significant Risks

It is the policy of the District Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the District Municipality is exposed on the reporting date.

The District Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the District Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the District Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the District Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the District Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The District Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the District Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 39.8 to the Annual Financial Statements.

39.6 Market Risk

The District Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 39.7 below). No formal policy exists to hedge volatilities in the interest rate market.

39.6.1 Foreign Currency Risk Management

The District Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

39.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 39.8 below:

39.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the District Municipality. The District Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The District Municipality uses its own trading records to assess its major customers. The District Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The District Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the District Municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The District Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The District Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The District Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The District Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The District Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2021 **R**	**2020** **R**
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the District Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	20 699	27 534
Receivables from Exchange Transactions	353 292	290 825
Receivables from Non-exchange Transactions	121 515	-
Bank, Cash and Cash Equivalents	2 281 203	1 021 568
Maximum Credit and Interest Risk Exposure	**2 776 709**	**1 339 928**

39 FINANCIAL INSTRUMENTS (Continued)

39.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the District Municipality's short, medium and long-term funding and liquidity management requirements. The District Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67is a listing of additional undrawn facilities that the District Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The District Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the District Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the District Municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0%	8 970 324	8 970 324	-	-	-	-
- Payables from Exchange transactions	11	0%	8 970 324	8 970 324	-	-	-	-
Fixed Interest Rate Instruments		19.40%	82 592	82 592	-	-	-	-
- Long-term Liabilities	13	19.40%	82 592	82 592	-	-	-	-
			9 052 917	**9 052 917**	**-**	**-**	**-**	**-**
			5 596 558					
30 June 2020								
Non-interest Bearing		0%	10 517 649	10 517 649	-	-	-	-
- Payables from Exchange transactions	11	0%	10 517 649	10 517 649	-	-	-	-
Fixed Interest Rate Instruments		19.40%	375 902	146 655	146 655	82 592	-	-
- Long-term Liabilities	13	19.40%	375 902	146 655	146 655	82 592	-	-
			10 893 551	**10 664 304**	**146 655**	**82 592**	**-**	**-**
			5 085 299					

The following table details the District Municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the District Municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0%	495 506	478 008	3 201	6 402	7 896	-
- Long-term Receivables			20 699	3 201	3 201	6 402	7 896	-
- Trade Receivables from Exchange Transactions			353 292	353 292	-	-	-	-
- Trade Receivables from Non-exchange Transactions			121 515	121 515	-	-	-	-
Variable Interest Rate Instruments		**2.5%**	2 280 760	2 280 760	-	-	-	-
- Call Deposits		5.0%	20 382	20 382	-	-	-	-
- Bank Account		2.5%	2 260 378	2 260 378	-	-	-	-
			2 776 266	**2 758 768**	**3 201**	**6 402**	**7 896**	**-**
30 June 2020								
Non-interest Bearing		0%	318 360	295 276	4 451	8 902	9 731	-
- Long-term Receivables			27 534	4 451	4 451	8 902	9 731	-
- Trade Receivables from Exchange Transactions			290 825	290 825	-	-	-	-
Variable Interest Rate Instruments		**2.5%**	1 021 568	1 021 568	-	-	-	-
- Call Deposits		5.0%	562	562	-	-	-	-
- Bank Account		2.5%	1 021 006	1 021 006	-	-	-	-
			1 339 928	**1 316 844**	**4 451**	**8 902**	**9 731**	**-**

39.9 Other Price Risks

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

40 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

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

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

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

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

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

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

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

The total expense recognised in the Statement of Financial Performance of R1 715 275 (2020: R1 608 808) represents contributions payable to these plans by the District Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund/Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the District Municipality. The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1,776,181,000 (30 June 2017 : R1,859,077,000), with a nett accumulated surplus of R63,423,000 (2017 : R46,989,000), with a funding level of 103.7% (30 June 2017 : 102.6%).

Consolidated Retirement Fund::

The scheme is subject to an annual actuarial valuation which is not the responsibility of the District Municipality. The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2017.

The last statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R21,359,000,000 (30 June 2016: R20,075,000,000), with funding levels of 127.3% and 100% (30 June 2016 118.0% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2017 & 2016. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short monatorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%.The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

41 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

40.1 Interest of Related Parties

Councillors and/or Management of the District Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
M Daniels	Councillor	Director at Jylinne General Trading
		Director at Tirisanang Mining and Resources
		Member at Tsanstabane Recycling Waste Management and Civilx
		Member at Zelke 66
T Van Der Steen	Councillor	Director at Loodgieter Van Der Steen
		Member at Van Der Steen Pomp en Pyp
		Member at Jesu Nkosi Monuments
D Esau	Councillor	Director at Frendila General Trading
		Director at Jabilo Construction and supplies
		Director at tsantsa Holdings and Projects
		Director at tsantsa test
S Sandlana	Councillor	Director at Ucedo 4 +1 taxi organization primary co-operative limited
		Director at K2020861781
		Director at ZFM Metro Taxi Association

Name of Related Person	Designation	Description of Related Party Relationship
BM Bock	Councillor	Member at BM Bock Construction and community development
GB Cloete	Middle Manager	Member at BC2S Construction Consulting and trading services
CM Mathe	Middle Manager	Director at O Mogolo Homes
		Director at Our Solid Foundation
M Manyehe	Middle Manager	Director at Brownsugar Communications
JA Kitching	Middle Manager	Director ar Ablaze Trading 258
J Linden	Middle Manager	Director at Hazfree Waste Management
J Willemse	Middle Manager	Member at Brainvawe Projects
FJ Strauss	Middle Manager	W J P Strauss Boerdery
K Kitching	Manager's Spouse	Director at ANSEC 133
		Director at Hemiprox
A Van Zyl	Manager's Spouse	Director at ANSEC 133
		Director at Hemiprox
L Lankalebalela	Audit Committee	Director at Access Information Management Services
		Member at Final Score
		Member at Fita Consultancy
		Member at Halala Driving School
		Director at King Golfers
		Director at Xabiso Consulting
		Director at Storm Cup Trading
RB Potgieter	Audit Committee	Director at NC Chartered Accountants
AK Tieties	Middle Manager	Director at A and t Development
		Director at Khanya Solar solutions
JB Van Wyk	Middle Manager	Director at JVW Group
E Job	Manager's Spouse	Director at Zwanofe Contractors
J Beukes	Directors Spouse	Director at Beukes General Dealers
		Director at Ithamba Alitsha
G Booysen	SCM Official	Member at GSNF Construction
K Esau	Councillor	Director at San Kingdom Traditional house
		Director at Staar na die sterre taalskool

The following Councillors and/or Management of the District Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
N Prince	Councillor	Director at Grand Bridge Trading 95
		Member at Yinhla Training and business consulting firm
		Director at Moreteng Investments
J Nengome	Middle Manager	Member at Sedzaphanda Building Construction
J Willemse	Middle Manager	Member at Black Sparrow Trading
L Langalebalela	Audit Committee	Director at Definada Trading
		Member at EL Computers
		Director at Numbersecure
		Director at Zamori 63
		Director at Blue rose investments
A Van Zyl	Directors Spouse	Strauss Van Zyl

The following Councillors and/or Management of the District Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
JG Lategan	Municipal Manager	No relationship with businesses
AR Davids	Councillor	No relationship with businesses
I De Waal	Direcor	No relationship with businesses
P Mgcera	Executive Mayor	No relationship with businesses
M Moalosi	Speaker	No relationship with businesses
M Basson	Councillor	No relationship with businesses
A Mashimo	Councillor	No relationship with businesses
S Esau	Councillor	No relationship with businesses
E Fritz	Councillor	No relationship with businesses
S Dubeni	Councillor	No relationship with businesses
A De Bruin	Councillor	No relationship with businesses
F Olifant	Councillor	No relationship with businesses
FL Witbooi	Councillor	No relationship with businesses
MHB Van Zyl	Councillor	No relationship with businesses
H Ross	Councillor	No relationship with businesses
WD Klim	Councillor	No relationship with businesses
Maasdorp	Councillor	No relationship with businesses
M Maasdorp	Councillor	No relationship with businesses
MC Basson	Councillor	No relationship with businesses
J Lodewyk	Councillor	No relationship with businesses
DJ Van Zyl	Director	No relationship with businesses
P Beukes	Director	No relationship with businesses
M Venter	Audit Committee	No relationship with businesses
A Viljoen	Audit Committee	No relationship with businesses
A Phete	Middle Manager	No relationship with businesses
R Snyders	Middle Manager	No relationship with businesses
T Galloway	Middle Manager	No relationship with businesses
J Maasdorp/Visagie	Middle Manager	No relationship with businesses
B Feris	Middle Manager	No relationship with businesses
B Van Kradenburg	Middle Manager	No relationship with businesses
B Knouwds	Middle Manager	No relationship with businesses
E Britz/Isaacs	Middle Manager	No relationship with businesses
F Rupping	Middle Manager	No relationship with businesses
J Shorty	Middle Manager	No relationship with businesses
E Van der Westhuizen	Middle Manager	No relationship with businesses
G Present	Middle Manager	No relationship with businesses
T Job	Middle Manager	No relationship with businesses
H Theron	Middle Manager	No relationship with businesses
S Berend	Middle Manager	No relationship with businesses
D Lekanyane	Middle Manager	No relationship with businesses
G Kuun	Middle Manager	No relationship with businesses
T Louw	Middle Manager	No relationship with businesses
H Mchlauli	Middle Manager	No relationship with businesses
C Swarts	SCM Official	No relationship with businesses
S Botha	Middle Manager	No relationship with businesses
L De Klerk	SCM intern	No relationship with businesses
E Snyders	Learnership	No relationship with businesses
M Bosman	Learnership	No relationship with businesses
M Theron	Managers Spouse	No relationship with businesses
A Lategan	Director's Spouse	No relationship with businesses
R Galloway	Manager's Spouse	No relationship with businesses
J Van Der Westhuizen	Manager's Spouse	No relationship with businesses
JM Snyders	Manager's Spouse	No relationship with businesses
LG Cloete	Manager's Spouse	No relationship with businesses
J Van Wyk	Manager's Spouse	No relationship with businesses

Name of Related Person	Designation	Description of Related Party Relationship
JP Berend	Manager's Spouse	No relationship with businesses
NE Mclauli	Managers Spouse	No relationship with businesses
ND Isaacs	Manager's Spouse	No relationship with businesses
T Linden	Manager's Spouse	No relationship with businesses
AM Shorty	Manager's Spouse	No relationship with businesses

40.2 Services rendered to Related Parties

The District Municipality did not render any services during the year to anyone that can be considered as a related party.

40.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZF Mgcawu District Municipality.

40.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

40.5 Purchases from Related Parties

The District Municipality did not purchase goods from anyone during the year that can be considered as a related party.

40.6 Related Parties of Spouses

The District Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

	2021 R	2020 R
42 CONTINGENT LIABILITIES		
42.1 Court Proceedings:	**465 000**	**465 000**
(i) April Jacobs: Claim against the District Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the District Municipality.	115 000	115 000
(ii) Jolene van Wyk: Claim against the District Municipality handled by Lulama Lobi Inc regarding a review of an appointment . Possible obligation to the District Municipality.	350 000	350 000
42.2 Disputes:	**-**	**-**
Total Contingent Liabilities	**465 000**	**465 000**
43 CONTINGENT ASSETS		
43.1 Insurance Claims:	**-**	**655 840**
(i) AON Insurance - Lost / Damaged Assets: The District Municipality has outstanding claims against its Insurers for lost and/or damaged assets. The case was closed during 2020/21 financial year but if the claim was successful, the netto compensation of R0 (2020: R655 840) will be recovered.	-	655 840

44 IN-KIND DONATIONS AND ASSISTANCE

The District Municipality did not receive any In-kind Donations and Assistance during the year under review.

45 PRIVATE PUBLIC PARTNERSHIPS

The District Municipality was not a party to any Private Public Partnerships during the year under review.

46 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2021.

47 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 33).

48 SEGMENT REPORTING

For management purposes the Municipality is broadly organised into business units based on the nature of operations and the services they provide. The Municipality has the following primary reportable segments:

- *The segment for Executive and Council*
- *The segment for Finance and Administration*
- *The segment for Internal Audit*
- *The segment for Public Safety*
- *The segment for Health*
- *The segment for Planning and Development*
- *The segment for Other*

No individually material operating segments have been aggregated to form the above reportable operating segments. The Municipality does not monitor segments geographically.

Management does not monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. However, the Municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

The segmental information for Capital Assets of the Municipality is disclosed in Appendix "C". It is not practical to segmentise Financial Position and Cash Flow operations.

49 GOING CONCERN ASSESSMENT

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

(i) On 28 May 2021 Council adopted the 2021/22 to 2023/24 annual final budget. The third adjustments budget for the financial year 2020/21 was tabled to Council on 30 June 2021. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the elementary operations of the District Municipality to perform its legal mandate and reflected that the budget was not cash-backed for 2021/22, 2022/23 and 2023/24.

(ii) The District Municipality's draft budget of 2021/24 was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was negative for 2021/22 as well as negative for the two outer years 2022/23 and 2023/24.

(iii) Strict daily cash management processes are embedded in the District Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a bi-weekly basis.

(iv)The District Municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. The cost containment policy had been adopted by Council on 30 June 2020. Cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source.

(v) The District Municipality is in a material sense grant dependent and renders mainly mandatory support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.

(vi) An operational efficiency plan has been develop by management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.

(vii) Business plans have been compiled by management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services on a shared services basis to the local municipalities in the district.

(viii) Alternative sourcing of funding and the attainment of projects by ZF Mgcawu District Municipality is a high priority to address the shortage of funding that is a legacy challenge of the past.

(ix) Innovative strategic management is deployed to better the financial health of ZF Mgcawu District Municipality in the long term.

(x) All outstanding creditors up to 30 June 2021 were included in ZFM's 2021/22 cash management report.

(xi) Council has also adopted an implementation plan on how to get from an unfunded to a funded budget.

(xii) To address above mentioned challenges a budget implementation plan was adopted by Council and the recommendations are implemented.

(xiii) Political intervention and strategic direction is given to the municipal administration by the Executive Mayor of ZF Mgcawu District Municipality to sustain the financial health of the District Municipality.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on a going concern basis.

APPENDIX A

ZF MGCAWU DISTRICT MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2020	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2021	Carrying Value of Property, Plant & Equip	Other Costs in accordance with MFMA
	R				R	R	R	R	R	R
CAPITAL LEASE LIABILITIES										
ITEC	783 000	19.4%	-	30/09/2021	375 902	-	(293 310)	82 592	110 532	-
Total Capital Lease Liabilities	**783 000**				**375 902**	**-**	**(293 310)**	**82 592**	**110 532**	**-**

Copier Machine Leases:

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality’s obligations under Finance Leases are secured by the lessors’ title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2021

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
Land:											
Land	17 976 000	-	-	-	17 976 000	-	-	-	-	-	17 976 000
Other Assets:											
Buildings	2 056 000	-	-	-	2 056 000	(1 357 185)	(82 213)	-	-	(1 439 399)	616 601
Land and Buildings	**20 032 000**	**-**	**-**	**-**	**20 032 000**	**(1 357 185)**	**(82 213)**	**-**	**-**	**(1 439 399)**	**18 592 601**
Computer Equipment											
Computer Hardware	2 225 445	90 344	-	(36 940)	2 278 848	(1 606 124)	(227 995)	-	32 304	(1 801 815)	477 033
Furniture and Office Equipment											
Cabinets And Cupboards	293 419	-	-	-	293 419	(262 396)	(792)	-	-	(263 188)	30 231
Chairs	340 223	-	-	(3 363)	336 860	(300 846)	(1 847)	-	3 014	(299 679)	37 181
Furniture	12 164	-	-	-	12 164	(9 981)	(387)	-	-	(10 368)	1 796
Office Machines & Other	262 995	29 226	-	(6 541)	285 680	(236 981)	(7 866)	-	5 497	(239 349)	46 332
Other Furniture	577 130	4 782	-	(87 990)	493 921	(463 799)	(18 561)	-	79 303	(403 056)	90 865
Printer, Fax, Copier	267 145	2 770	-	-	269 915	(240 730)	(2 381)	-	-	(243 112)	26 803
Tables And Desks	474 376	-	-	(5 690)	468 686	(421 644)	(2 297)	-	5 119	(418 821)	49 865
Machinery and Equipment											
Fire Fighting Equipment	1 200	-	-	-	1 200	(1 080)	-	-	-	(1 080)	120
Medical Equipment	6 300	-	-	-	6 300	(5 667)	(1)	-	-	(5 668)	632
Other Equipment	1 391	-	-	-	1 391	(1 174)	(56)	-	-	(1 230)	161
Radio Equipment	20 493	-	-	-	20 493	(18 444)	-	-	-	(18 444)	2 049
Security Equipment	174 465	-	-	-	174 465	(123 647)	(8 443)	-		(132 091)	42 375
Leased Assets	783 000	-	-		783 000	(480 898)	(191 570)	-	-	(672 468)	110 532
Transport Assets											
Motor Cars	395 580	713 492	-	-	1 109 072	(151 626)	(107 914)	-	-	(259 541)	849 532
Tractor	233 700	-	-	(233 700)	0	(233 700)	-	-	233 700	-	0
Trucks And Bakkies	361 700	-	-	(361 700)	0	(217 018)	(3 664)	-	220 682	-	0
	6 430 727	**840 613**	**-**	**(735 924)**	**6 535 416**	**(4 775 755)**	**(573 772)**	**-**	**579 619**	**(4 769 909)**	**1 765 508**
Total PPE	**26 462 727**	**840 613**	**-**	**(735 924)**	**26 567 416**	**(6 132 941)**	**(655 986)**	**-**	**579 619**	**(6 209 307)**	**20 358 109**
Intangible Assets											
Computer Software	809 379	-	-	-	809 379	(542 390)	(129 642)	-	-	(672 032)	137 347
Total Intangible Assets	**809 379**	**-**	**-**	**-**	**809 379**	**(542 390)**	**(129 642)**	**-**	**-**	**(672 032)**	**137 347**
Total Asset Register	**27 272 106**	**840 613**	**-**	**(735 924)**	**27 376 795**	**(6 675 331)**	**(785 628)**	**-**	**579 619**	**(6 881 339)**	**20 495 456**

APPENDIX C
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2021

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council											
Council Administration	120 520	-	-	(11 464)	109 056	(96 635)	(2 321)	-	10 382	(88 574)	20 482
Council Services	243 639	735 126	-	(7 127)	971 638	(211 757)	(186 172)	-	6 527	(391 402)	580 236
Municipal Manager	279 571	-	-	(9 369)	270 202	(235 225)	(13 152)	-	7 036	(241 342)	28 860
Finance and Administration											
Administration	160 384	9 400	-	(5 066)	164 718	(128 516)	(3 302)	-	4 555	(127 263)	37 455
Asset Management Unit	32 781	-	-	-	32 781	(29 605)	(264)	-	-	(29 869)	2 911
Budget & Treasury Office	32 809	-	-	-	32 809	(23 852)	(65)	-	-	(23 917)	8 892
Expenditure Unit	35 673	-	-	-	35 673	(21 442)	(6)	-	-	(21 448)	14 225
Financial Services	591 288	-	-	(18 499)	572 789	(490 815)	(45 425)	-	16 699	(519 541)	53 248
Human Resources	505 828	-	-	(362 397)	143 431	(339 218)	(3 796)	-	221 323	(121 691)	21 740
Information Technology	3 231 198	63 013	-	(13 500)	3 280 711	(2 199 730)	(391 647)	-	12 409	(2 578 969)	701 743
Property Services	20 346 525	-	-	(5 175)	20 341 349	(1 635 512)	(87 162)	-	4 742	(1 717 932)	18 623 418
Risk Management	13 432	-	-	-	13 432	(5 722)	(77)	-	-	(5 799)	7 634
Supply Chain Management	6 809	9 400	-	-	16 209	(6 250)	(9)	-	-	(6 259)	9 950
Vehicles	195 600	-	-	-	195 600	(113 372)	(13 264)	-	-	(126 636)	68 964
Health											
Environmental Health	106 148	-	-	(5 626)	100 522	(86 440)	(4 350)	-	4 656	(86 134)	14 388
Planning and Development											
Communication & Liaison	-	10 426	-	-	10 426	-	(2 032)	-	-	(2 032)	8 394
Engineering Services	388 258	-	-	(295 337)	92 921	(371 902)	(16 525)	-	289 152	(99 275)	(6 354)
Housing Accreditation	49 118	-	-	(524)	48 594	(44 351)	(77)	-	469	(43 959)	4 635
LED	256 202	-	-	-	256 202	(73 678)	(10)	-	-	(73 687)	182 514
PIMMS	380 219	-	-	-	380 219	(312 393)	(2 952)	-	-	(315 345)	64 875
Performance Management	9 957	-	-	-	9 957	(2 682)	(10 970)	-	-	(13 653)	(3 696)
Technical Support Services	62 222	13 248	-	(915)	74 554	(56 061)	(112)	-	842	(55 332)	19 223
Internal Audit											
Internal Audit	113 804	-	-	-	113 804	(98 991)	(1 809)	-	-	(100 799)	13 004
Other		-	-	-			-	-	-		
Tourism	86 655	-	-	-	86 655	(77 896)	(110)	-	-	(78 006)	8 649
Public Safety											
Disaster Management	23 468	-	-	(924)	22 544	(13 288)	(17)	-	828	(12 477)	10 067
Total Asset Register	**27 272 106**	**840 613**	**-**	**(735 924)**	**27 376 795**	**(6 675 331)**	**(785 628)**	**-**	**579 619**	**(6 881 339)**	**20 495 456**

APPENDIX D

ZF MGCAWU DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

2020 Actual Income	2020 Budgeted Income	2020 Actual Expenditure	2020 Budgeted Expenditure	2020 Surplus/ (Deficit)	Description	2021 Actual Income	2021 Budgeted Income	2021 Actual Expenditure	2021 Budgeted Expenditure	2021 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					Municipal Governance and Administration					
678 756	962 288	15 212 892	15 304 469	(14 534 136)	Executive and Council	249 550	500 000	15 039 833	15 050 350	(14 790 283)
73 108 726	72 932 001	41 059 411	39 898 616	32 049 316	Finance and Administration	76 505 599	78 427 000	42 769 461	43 123 810	33 736 137
-	-	3 100 064	3 111 417	(3 100 064)	Internal Audit	-	-	3 338 304	3 505 128	(3 338 304)
					Community and Public Safety					
246 000	246 000	2 654 269	2 655 223	(2 408 269)	Public Safety	-	259 000	2 752 344	2 804 306	(2 752 344)
-	-	6 137 519	6 146 048	(6 137 519)	**Health**	-	-	6 361 461	6 368 269	(6 361 461)
					Economic and Environmental Services					
4 876 000	4 876 000	9 564 872	9 798 199	(4 688 872)	Planning and Development	4 490 000	4 490 000	9 510 753	9 522 499	(5 020 753)
-	-	782 639	798 467	(782 639)	**Other**	-	-	942 176	1 039 016	(942 176)
78 909 483	**79 016 289**	**78 511 665**	**77 712 439**	**397 817**	Sub-Total	**81 245 149**	**83 676 000**	**80 714 332**	**81 413 378**	**530 817**
454 648	656 000	757 395	758 346	(302 747)	Gains and Losses	-	656 000	156 305	603 000	(156 305)
79 364 131	**79 672 289**	**79 269 060**	**78 470 785**	**95 071**	**Total**	**81 245 149**	**84 332 000**	**80 870 637**	**82 016 378**	**374 512**

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2021

Description	2020/21												2019/20
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
REVENUE - STANDARD													
Municipal Governance and Administration													
Executive and Council	500 000	-	500 000	-	500 000	-	500 000	249 550	-	(250 450)	49.91	49.91	678 756
Finance and Administration	76 445 000	1 982 000	78 427 000	-	78 427 000	-	78 427 000	76 505 599		(1 921 401)	97.55	100.08	73 108 726
Community and Public Safety													
Public Safety	259 000	-	259 000	-	259 000	-	259 000	-		(259 000)	0.00	0.00	246 000
Economic and Environmental Services													
Planning and Development	4 640 000	(150 000)	4 490 000	-	4 490 000	-	4 490 000	4 490 000		-	100.00	96.77	4 876 000
Total Revenue - Standard	81 844 000	1 832 000	83 676 000	-	83 676 000	-	83 676 000	81 245 149	-	(2 430 851)	0.00	99.27	78 909 483
EXPENDITURE - STANDARD													
Municipal Governance and Administration													
Executive and Council	15 282 836	200 000	15 482 836	(2 221 036)	13 261 800	1 788 550	15 050 350	15 039 833	-	(10 517)	99.93	98.41	15 212 892
Finance and Administration	40 255 459	663 000	40 918 459	572 101	41 490 560	1 633 250	43 123 810	42 769 461	-	(354 349)	99.18	106.25	41 059 411
Internal Audit	3 817 241	-	3 817 241	(205 313)	3 611 928	(106 800)	3 505 128	3 338 304	-	(166 824)	95.24	87.45	3 100 064
Community and Public Safety													
Public Safety	2 701 551	(580 000)	2 121 551	631 755	2 753 306	51 000	2 804 306	2 752 344	-	(51 962)	98.15	101.88	2 654 269
Health	6 259 364	165 417	6 424 781	(119 512)	6 305 269	63 000	6 368 269	6 361 461	-	(6 808)	99.89	101.63	6 137 519
Economic and Environmental Services													
Planning and Development	10 786 217	50 000	10 836 217	1 888 782	12 724 999	(3 202 500)	9 522 499	9 510 753	-	(11 746)	99.88	88.18	9 564 872
Other	853 663	-	853 663	411 853	1 265 516	(226 500)	1 039 016	942 176	-	(96 840)	90.68	110.37	782 639
Total Expenditure - Standard	79 956 331	498 417	80 454 748	958 630	81 413 378	-	81 413 378	80 714 332	-	(699 046)	0.00	100.95	78 511 665
Gains and Losses	(53 000)	-	(53 000)	-	(53 000)	-	(53 000)	156 305	-	209 305	0.00	0.00	302 747
Surplus/(Deficit) for the year	**1 940 669**	**1 333 583**	**3 274 252**	**(958 630)**	**2 315 622**	**-**	**2 315 622**	**374 512**	**-**	**(1 731 805)**	**0.00**	**19.30**	**95 071**

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2021

Description	2020/21												2019/20
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
REVENUE - STANDARD													
Executive & Council	500 000	-	500 000	-	500 000	-	500 000	249 550	-	(250 450)	49.91	49.91	678 756
Council Services	500 000	-	500 000	-	500 000	-	500 000	249 550	-	(250 450)	49.91	49.91	678 756
Internal Audit	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Budget and treasury office	75 595 000	1 982 000	77 577 000	-	77 577 000	-	77 577 000	76 287 944	-	(1 289 056)	98.34	100.92	72 478 820
Budget & Treasury Office	1 500 000	-	1 500 000	-	1 500 000	-	1 500 000	279 971	-	(1 220 029)	18.66	18.66	10 527
Financial Services	74 095 000	1 982 000	76 077 000	-	76 077 000	-	76 077 000	76 007 973	-	(69 027)	99.91	102.58	72 468 293
Corporate services	850 000	-	850 000	-	850 000	-	850 000	217 654	-	(632 346)	25.61	25.61	629 906
Human Resources	850 000	-	850 000	-	850 000	-	850 000	217 654	-	(632 346)	25.61	25.61	629 906
Planning & Development	4 899 000	(150 000)	4 749 000	-	4 749 000	-	4 749 000	4 490 000	-	(259 000)	94.55	91.65	5 122 000
Disaster Mangement	259 000	-	259 000	-	259 000	-	259 000	-	-	(259 000)	0.00	0.00	246 000
Engineering Services	3 890 000	-	3 890 000	-	3 890 000	-	3 890 000	3 890 000	-	-	100.00	100.00	4 126 000
Housing Accreditation	750 000	(150 000)	600 000	-	600 000	-	600 000	600 000	-	-	100.00	80.00	750 000
Total Revenue - Standard	81 844 000	1 832 000	83 676 000	-	83 676 000	-	83 676 000	81 245 149	-	(4 861 703)	0.00	99.27	78 909 483

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2021

Description	2020/21												2019/20
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
EXPENDITURE - STANDARD													
Executive & Council	17 956 124	200 000	18 156 124	(2 154 458)	16 001 666	2 038 050	18 039 716	17 749 925	-	(289 791)	98.39	98.85	17 516 228
Council Administration	3 139 115	-	3 139 115	299 510	3 438 625	975 000	4 413 625	4 512 898	-	99 273	102.25	143.76	4 042 513
Council Services	6 695 719	200 000	6 895 719	(1 063 533)	5 832 186	(39 350)	5 792 836	5 465 792	-	(327 044)	94.35	81.63	6 096 542
Internal Audit	3 817 241	-	3 817 241	(185 313)	3 631 928	(126 800)	3 505 128	3 338 304	-	(166 824)	95.24	87.45	3 100 064
Municipal Manager	3 268 447	-	3 268 447	(1 525 382)	1 743 065	1 195 900	2 938 965	3 220 586	-	281 621	109.58	98.54	3 281 957
Risk Management	1 035 602	-	1 035 602	320 260	1 355 862	33 300	1 389 162	1 212 344	-	(176 818)	87.27	117.07	995 151
Budget and treasury office	15 112 884	438 000	15 550 884	917 542	16 468 426	3 377 671	19 846 097	19 708 938	-	(137 159)	99.31	130.41	18 407 508
Asset Management Unit	2 839 826	-	2 839 826	794 144	3 633 970	3 000	3 636 970	3 399 549	-	(237 421)	93.47	119.71	3 153 713
Budget & Treasury Office	2 072 799	-	2 072 799	(313 087)	1 759 712	-	1 759 712	1 523 637	-	(236 075)	86.58	73.51	1 785 389
Expenditure Unit	1 852 863	-	1 852 863	139 326	1 992 189	(35 000)	1 957 189	1 756 963	-	(200 226)	89.77	94.82	1 752 822
Financial Services	6 735 443	438 000	7 173 443	279 221	7 452 664	3 434 671	10 887 335	11 521 199	-	633 864	105.82	171.05	10 222 850
Supply Chain Management	1 611 953	-	1 611 953	17 938	1 629 891	(25 000)	1 604 891	1 507 592	-	(97 299)	93.94	93.53	1 492 733
Corporate services	22 177 273	225 000	22 402 273	(619 095)	21 783 178	(1 668 721)	20 114 457	20 108 522	-	(5 935)	99.97	90.67	19 961 762
Administration	7 023 672	-	7 023 672	(267 058)	6 756 614	49 500	6 806 114	6 453 269	-	(352 845)	94.82	91.88	7 245 259
Human Resources	5 426 432	-	5 426 432	(1 028 544)	4 397 888	293 989	4 691 877	5 180 372	-	488 495	110.41	95.47	6 005 562
Information Technology	4 782 364	-	4 782 364	91 600	4 873 964	(1 216 900)	3 657 064	3 656 367	-	(697)	99.98	76.46	2 388 193
Property Services	2 328 717	100 000	2 428 717	513 907	2 942 624	(784 310)	2 158 314	2 079 511	-	(78 803)	96.35	89.30	1 870 870
Security Services	2 616 088	125 000	2 741 088	71 000	2 812 088	(11 000)	2 801 088	2 739 002	-	(62 086)	97.78	104.70	2 451 879
Planning & Development	24 710 050	(364 583)	24 345 467	2 814 641	27 160 108	(3 747 000)	23 413 108	23 146 947	-	(266 161)	98.86	93.67	22 626 168
Communication & Liaison	1 929 700	-	1 929 700	(46 606)	1 883 094	(109 000)	1 774 094	1 739 657	-	(34 437)	98.06	90.15	1 694 989
Disaster Mangement	2 701 551	(580 000)	2 121 551	631 755	2 753 306	51 000	2 804 306	2 752 344	-	(51 962)	98.15	101.88	2 654 269
Engineering Services	5 887 027	50 000	5 937 027	1 797 863	7 734 890	(2 385 000)	5 349 890	5 485 728	-	135 838	102.54	93.18	5 623 706
Environmental Health	6 259 364	165 417	6 424 781	(119 512)	6 305 269	63 000	6 368 269	6 361 461	-	(6 808)	99.89	101.63	6 137 519
Housing Accreditation	2 848 594	-	2 848 594	(58 919)	2 789 675	(575 500)	2 214 175	2 150 843	-	(63 332)	97.14	75.51	2 142 318
LED	975 563	-	975 563	60 657	1 036 220	(102 000)	934 220	863 612	-	(70 608)	92.44	88.52	848 030
PIMMS	1 075 033	-	1 075 033	89 181	1 164 214	(140 000)	1 024 214	1 010 570	-	(13 644)	98.67	94.00	950 818
PMS	2 179 555	-	2 179 555	48 369	2 227 924	(323 000)	1 904 924	1 840 556	-	(64 368)	96.62	84.45	1 791 880
Tourism	853 663	-	853 663	411 853	1 265 516	(226 500)	1 039 016	942 176	-	(96 840)	90.68	110.37	782 639
Total Expenditure - Standard	79 956 331	498 417	80 454 748	958 630	81 413 378	-	81 413 378	80 714 332	-	(5 395 472)	0.00	100.95	78 511 665
Gains and Losses	(53 000)	-	(53 000)		(53 000)		(53 000)	156 305	-	209 305	0.00	0.00	302 747
Surplus/(Deficit) for the year	**1 940 669**	**1 333 583**	**3 274 252**	**(958 630)**	**2 315 622**	**-**	**2 315 622**	**374 512**	**-**	**324 465**	**0.00**	**(1.68)**	**95 071**

APPENDIX E (3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

Description	2020/21												2019/20
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
Revenue from Non-exchange Transactions													
Transfers and Subsidies	79 259 000	1 832 000	81 091 000	-	81 091 000	-	81 091 000	80 137 977	-	(953 023)	98.82	101.11	77 494 020
Impairment Gains	-	-	-	-	-	-	-	-	-	-	0.00	0.00	454 648
Revenue from Exchange Transactions													
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	2 078	-	(7 922)	20.78	20.78	3 893
Interest and Rent on Land Earned	900 000	-	900 000	-	900 000	-	900 000	562 869	-	(337 131)	62.54	62.54	726 457
Operational Revenue	1 675 000	-	1 675 000	-	1 675 000	-	1 675 000	542 225	-	(1 132 775)	32.37	32.37	685 113
Gains on Disposal of Capital Assets	656 000	-	656 000	-	656 000	-	656 000	-	-	(656 000)	0.00	0.00	-
Total Revenue (excluding Capital Transfers &	82 500 000	1 832 000	84 332 000	-	84 332 000	-	84 332 000	81 245 149	-	(3 086 851)	0.00	98.48	79 364 131
EXPENDITURE													
Employee Related Costs	53 633 322	(288 500)	53 344 822	1 233 375	54 578 197	5 644 571	60 222 768	60 176 818	-	(45 950)	99.92	112.20	54 909 455
Remuneration of Councillors	3 808 384	-	3 808 384	(35 082)	3 773 302	221 000	3 994 302	3 974 721	-	(19 581)	99.51	104.37	3 850 177
Depreciation and Amortisation	594 640	-	594 640	-	594 640	310 000	904 640	785 628	-	(119 012)	86.84	132.12	921 108
Impairment Losses	25 000	-	25 000	-	25 000	-	25 000	13 137	-	(11 863)	52.55	52.55	373 484
Interest and Rent on Land	-	-	-	47 900	47 900	10 000	57 900	48 814	-	(9 086)	84.31	0.00	127 773
Contracted Services	6 055 949	272 000	6 327 949	(742 534)	5 585 415	187 090	5 772 505	5 650 804	-	(121 701)	97.89	93.31	5 912 789
Inventory Consumed	785 043	106 450	891 493	71 800	963 293	(178 000)	785 293	458 807	-	(326 486)	58.42	58.44	328 485
Transfers and Subsidies Paid	215 000	40 000	255 000	(80 000)	175 000	423 000	598 000	594 159	-	(3 841)	99.36	276.35	462 173
Operating Leases	1 100 000	-	1 100 000	(47 900)	1 052 100	(91 500)	960 600	926 678	-	(33 922)	96.47	84.24	977 874
Operational Costs	13 738 993	368 467	14 107 460	511 071	14 618 531	(6 526 161)	8 092 370	8 084 767	-	(7 603)	99.91	58.85	10 648 346
Loss on Disposal of Capital Assets	603 000	-	603 000	-	603 000	-	603 000	156 305	-	(446 695)	25.92	25.92	757 395
Total Expenditure	80 559 331	498 417	81 057 748	958 630	82 016 378	-	82 016 378	80 870 637	-	(1 145 741)	0.00	100.39	79 269 060
Surplus/(Deficit) for the Year	**1 940 669**	**-**	**3 274 252**	**-**	**2 315 622**	**-**	**2 315 622**	**374 512**	**-**	**-**	**-**	**19.30**	**95 071**

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

Description	2020/21											2019/20
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R				R	R	R
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property Rates	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Transfers and Subsidies	79 259 000	1 832 000	81 091 000	-	81 091 000	-	81 091 000	80 388 427	(702 573)	99.13	101.42	77 315 264
Service Charges	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Rental from Fixed Assets	-	-	-	-	-	-	-	2 078	2 078	0.00	0.00	3 893
External Interest and Dividends Received	900 000	(900 000)	-	900 000	900 000	-	900 000	562 869	(337 131)	62.54	62.54	726 457
Other Receipts	1 690 000	(5 000)	1 685 000	-	1 685 000	-	1 685 000	(15 648)	(1 700 648)	0.00	0.00	201 751
Payments												
Employee Related Costs	(79 121 691)	(498 417)	(79 620 108)	78 120 108	(1 500 000)	-	(1 500 000)	(57 297 818)	(55 797 818)	0.00	0.00	(53 794 380)
Remuneration of Councillors	-	-	-	-	-	-	-	(3 974 721)	(3 974 721)	0.00	0.00	(3 850 177)
External Interest and Dividends Paid	-	-	-	-	-	-	-	(48 814)	(48 814)	0.00	0.00	(127 773)
Suppliers Paid	-	-	-	-	-	-	-	(8 583 614)	(8 583 614)	0.00	0.00	(8 082 006)
Other Payments	-	-	-	-	-	-	-	(8 643 536)	(8 643 536)	0.00	0.00	(12 285 913)
NET CASH FROM / (USED) OPERATING ACTIVITIE	2 727 309	428 583	3 155 892	79 020 108	82 176 000	-	82 176 000	2 389 224	(79 786 776)	103.99	3 013.08	107 114
CASH FLOWS FROM INVESTING ACTIVITIES												
Purchase of Property, Plant and Equipment	(1 820 000)	(30 000)	(1 850 000)	788 000	(1 062 000)	-	(1 062 000)	(840 613)	221 387	0.00	0.00	(166 783)
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Proceeds on Disposal of Property, Plant and Equipme	-	-	-	-	-	-	-	-	-	0.00	0.00	43 279
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	4 335	4 335	0.00	0.00	3 046
NET CASH FROM / (USED) INVESTING ACTIVITIES	(1 820 000)	(30 000)	(1 850 000)	788 000	(1 062 000)	-	(1 062 000)	(836 278)	225 722	0.00	0.00	(120 458)
CASH FLOWS FROM FINANCING ACTIVITIES												
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Repayment of Borrowings	(293 310)	586 620	293 310	(293 310)	-	-	-	(293 310)	(293 310)	0.00	0.00	(241 720)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(293 310)	586 620	293 310	(293 310)	-	-	-	(293 310)	(293 310)	0.00	0.00	(241 720)
												(0)
NET INCREASE / (DECREASE) IN CASH HELD	(613 999)	(985 203)	(1 599 202)	(79 514 798)	(81 114 000)	-	(81 114 000)	(1 259 636)	79 854 364	0.00	0.00	255 063
Cash / Cash Equivalents at the Year begin:	1 270 000	5 464 226	6 734 226	(3 367 113)	3 367 113	-	3 367 113	1 021 568	(2 345 545)	30.34	80.44	1 276 631
Cash / Cash Equivalents at the Year end:	1 883 999	6 449 429	8 333 428	76 147 685	84 481 113	-	84 481 113	2 281 203	(82 199 910)	2.70	121.08	1 021 568

APPENDIX F
ZF MGCAWU DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
		R	R	R	R	R	R	R	R	R	R	R	R			
Monetary Allocations:																
Financial Management Grant	National Treasury	1 000 000	-	-	-	3 563	10 190	78 438	907 810	-	-	-	-	N/A	Yes	N/A
Rural Roads Asset Manage Systems Grant	National Treasury	2 023 000	-	867 000	-	626 306	76 357	819 077	1 368 259	-	-	-	-	N/A	Yes	N/A
EPWP Incentive Grant	National Treasury	250 000	450 000	300 000	-	440 523	375 397	207 450	(23 370)	-	-	-	-	N/A	Yes	N/A
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Housing Accreditation DPLG National	COGHSTA - Provincial	600 000	-	-	-	12 507	24 932	19 840	542 721	-	-	-	-	N/A	Yes	N/A
In-kind Allocations:		-	-	-	-											
Aids Health	Department of Health Provincial	-	500 000	-	-	37 260	42 810	139 750	29 730	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received		**3 873 000**	**950 000**	**1 167 000**	**-**	**1 120 159**	**529 686**	**1 264 555**	**2 825 151**	**-**	**-**	**-**	**-**			

(*) Did your District Municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2021

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
Executive Mayor											
PM MGCERA	645 644	-	-	-	-	215 215	-	-	-	-	**860 859**
Speaker											
M. MOALOSI	351 286	-	-	-	-	117 096	-	-	-	-	**468 382**
MC BASSON	86 086	-	-	-	-	28 695	-	-	-	-	**114 781**
Executive Committee											
A MATSHIMO	270 228	-	-	-	-	90 048	44 400	-	-	-	**404 676**
MC BASSON	225 121	-	-	-	-	75 040	37 000	-	-	-	**337 161**
J LODEWYK	231 748	-	-	-	-	77 250	44 400	-	-	-	**353 398**
A DE BRUIN	204 322	-	-	-	-	68 108	44 400	-	-	-	**316 830**
FL WITBOOI	204 322	-	-	-	-	68 108	44 400	-	-	-	**316 830**
MHB Van Zyl	204 322	-	-	-	-	68 108	44 400	-	-	-	**316 830**
K ESAU	65 903	-	-	-	-	21 968	11 100	-	-	-	**98 971**
M DANIELS	51 400	-	-	-	-	17 134	-	-	-	-	**68 534**
M BOSMAN	57 992	-	-	-	-	19 331	-	-	-	-	**77 323**
Councillors Section 79											
S DUBENI	50 061	-	-	-	-	16 687	-	-	-	-	**66 748**
Other Councillors											
WD KLIM	10 837	-	-	-	-	3 612	-	-	-	-	**14 449**
CFP MAASDORP	11 582	-	-	-	-	3 407	-	-	-	-	**14 989**
N PRINCE	9 665	-	-	-	-	3 222	-	-	-	-	**12 887**
D ESAU	4 451	-	-	-	-	1 484	-	-	-	-	**5 934**
MY BASSON	474	-	-	-	-	-	-	-	-	-	**474**
Other Councillors (Sitting)											
S ESAU	-	-	-	-	22 065	-	-	-	-	-	**22 065**
B BOCK	-	-	-	-	18 755	-	-	-	-	-	**18 755**
PT VAN DER STEEN	-	-	-	-	17 652	-	-	-	-	-	**17 652**
S SANDLANA	-	-	-	-	18 755	-	-	-	-	-	**18 755**
H ROSS	-	-	-	-	17 652	-	-	-	-	-	**17 652**
N PRINCE	-	-	-	-	11 032	-	-	-	-	-	**11 032**
F OLIFANT	-	-	-	-	14 342	-	-	-	-	-	**14 342**
EE FRITZ	-	-	-	-	4 413	-	-	-	-	-	**4 413**
Total for Councillors	**2 685 446**	**-**	**-**	**-**	**124 665**	**894 509**	**270 100**	**-**	**-**	**-**	**3 974 721**

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2021

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
Municipal Manager											
J.G. Lategan	888 887	-	-	164 719	-	378 179	-	-	-	-	**1 431 785**
Director: Financial Services											
P. Beukes	511 952	56 693	-	134 526	-	169 838	-	10 956	37 859	-	**921 823**
J.A. Kitching	-	-	-	-	-	-	-	-	-	19 534	**19 534**
	511 952	56 693	-	134 526	-	169 838	-	10 956	37 859	19 534	**941 357**
Director: Planning & Development											
I.G.A De Waal	562 513	-	-	-	-	248 762	8 800	-	103 393	-	**923 468**
Director: Corporate Services											
D. Van Zyl	618 937	-	-	145 301	-	488 638	-	15 600	163 344	-	**1 431 820**
Total for Senior Managers	**2 582 288**	**56 693**	**-**	**444 546**	**-**	**1 285 417**	**8 800**	**26 556**	**304 596**	**19 534**	**4 728 429**
									2 755		2 755
Total for Management	**5 267 735**	**56 693**	**-**	**444 546**	**124 665**	**2 179 927**	**278 900**	**26 556**	**304 596**	**19 534**	**8 703 150**

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2020

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
Executive Mayor											
PM MGCERA	195 150	-	-	-	-	65 050	-	-	-	-	**260 200**
JJJ Olyn	318 074	-	-	-	-	106 025	-	-	-	-	**424 099**
M BOSMAN	65 263	-	-	-	-	21 754	-	-	-	-	**87 018**
Speaker											
M. MOALOSI	507 788	-	-	-	-	169 263	-	-	-	-	**677 051**
Executive Committee											
PM MGCERA	183 898	-	-	-	-	61 300	33 300	-	-	-	**278 498**
A MATSHIMO	111 094	-	-	-	-	37 031	18 500	-	-	-	**166 625**
MC BASSON	243 034	-	-	-	-	81 012	40 700	-	-	-	**364 746**
J LODEWYK	200 870	-	-	-	-	66 957	44 400	-	-	-	**312 227**
A DE BRUIN	200 870	-	-	-	-	66 957	44 400	-	-	-	**312 227**
FL WITBOOI	200 870	-	-	-	-	66 957	44 400	-	-	-	**312 227**
MHB Van Zyl	200 870	-	-	-	-	66 957	44 400	-	-	-	**312 227**
M DANIELS	59 427	-	-	-	-	11 550	-	-	-	-	**70 977**
M BOSMAN	56 768	-	-	-	-	18 923	-	-	-	-	**75 691**
Councillors Section 79											
S DUBENI	49 215	-	-	-	-	16 405	-	-	-	-	**65 620**
Other Councillors											
WD KLIM	12 784	-	-	-	-	4 262	-	-	-	-	**17 046**
B BOCK	11 242	-	-	-	1 358	3 747	-	-	-	-	**16 347**
N PRINCE	11 242	-	-	-	1 400	3 747	-	-	-	-	**16 389**
MY BASSON	10 220	-	-	-	-	3 407	-	-	-	-	**13 626**
AR DAVIDS	4 887	-	-	-	489	1 629	-	-	-	-	**7 005**
Other Councillors (Sitting)											
S ESAU	-	-	-	-	16 025	-	-	-	-	-	**16 025**
BL BOSMAN	-	-	-	-	7 523	-	-	-	-	-	**7 523**
PT VAN DER STEEN	-	-	-	-	12 522	-	-	-	-	-	**12 522**
S SANDLANA	-	-	-	-	11 370	-	-	-	-	-	**11 370**
H ROSS	-	-	-	-	9 667	-	-	-	-	-	**9 667**
J ASSEGAAI	-	-	-	-	3 224	-	-	-	-	-	**3 224**
Total for Councillors	**2 643 567**	**-**	**-**	**-**	**63 580**	**872 931**	**270 100**	**-**	**-**	**-**	**3 850 177**

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2020

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
Municipal Manager											
J.G. Lategan	731 574	-	100 000	123 169	-	435 492	-	-	-	-	**1 390 235**
A. K Tieties	-	-	-	16 019	-	-	-	-	-	-	**16 019**
	731 574	-	100 000	139 188	-	435 492	-	-	-	-	1 406 254
Director: Financial Services											
P. Beukes	607 748	80 726	80 000	131 126	-	283 345	-	15 600	53 634	-	**1 252 179**
Director: Planning & Development											
J.G Lategan	-	-	-	22 739	-	-	-	-	-	-	**22 739**
Director: Corporate Services											
D. Van Zyl	581 854	-	49 495	136 433	-	405 525	-	15 600	158 368	-	**1 347 274**
Total for Senior Managers	**1 921 176**	**80 726**	**229 495**	**429 485**	**-**	**1 124 362**	**-**	**31 200**	**212 002**	**-**	**4 028 446**
Total for Management	**4 564 742**	**80 726**	**229 495**	**429 485**	**63 580**	**1 997 293**	**270 100**	**31 200**	**212 002**	**-**	**7 878 623**

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2021

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2021 R	**2020 R**		
1.	**FINANCIAL POSITION**								
A.	**Asset Management / Utilisation**								
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		1.03%	0.21%	*Refer to Page 2 of MFMA Circular No 71*	District Municipalities have no capital projects as infrastructure is maintain by Local Municipalities.
					Total Operating Expenditure	80 870 637	79 269 060		
					Taxation Expense	-	-		
					Total Capital Expenditure	840 613	166 783		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	*Refer to Page 3 of MFMA Circular No 71*	No Impairment of PPE during the 2020/21 financial year.
					PPE, Investment Property & Intangible Impairment	-	-		
					PPE at Carrying Value	20 358 109	20 329 786		
					IP at Carrying Value	-	-		
					Intangible Assets at Carrying Value	137 347	266 989		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		1.25%	1.59%	*Refer to Page 4 of MFMA Circular No 71*	The majority of ZFM's PPE value is Land which has no maintenance on it.
					Total Repairs and Maintenance Expenditure	255 184	324 119		
					PPE at Carrying Value	20 358 109	20 329 786		
					Investment Property at Carrying Value	-	-		
B.	**Debtors Management**								
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		70.51%	1339.20%	*Refer to Page 5 of MFMA Circular No 71*	ZFM has written off all debtors older than 2 years during 2019/20 and deceased debtors during 2020/21 which could not be recovered.
					Gross Debtors Closing Balance	353 292	290 825		
					Gross Debtors Opening Balance	290 825	723 539		
					Bad Debts Written-off	13 137	373 484		
					Billed Revenue	256 391	4 780		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	0.00%	*Refer to Page 5 of MFMA Circular No 71*	ZFM has written off all debtors older than 2 years during 2019/20 and deceased debtors during 2020/21 which could not be recovered.
					Debtors Bad Debts Written-off	13 137	373 484		
					Debtors Current Bad Debt Provision	-	-		

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2021

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results 2021 R	Data Inputs and Results 2020 R	Interpretation	Management Comments (#)
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		503 Days	22 209 Days	*Refer to Page 6 of MFMA Circular No 71*	During 2020/21 ZFM made an advance payment which increased Gross Debtors.
					Gross Debtors	353 292	290 825		
					Bad Debts Provision	-	-		
					Billed Revenue	256 391	4 780		
C.	**Liquidity Management**								
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		0 Months	0 Months	*Refer to Page 7 of MFMA Circular No 71*	ZFM has historic Employment Benefit Liabilities which negatively affects ZFM's cash flow position. Refer to Note 49, Management's Going Concern Assessment for more detail.
					Cash and Cash Equivalents	2 281 203	1 021 568		
					Unspent Conditional Grants	533 983	283 533		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	79 915 568	77 217 073		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		0.28	0.14	*Refer to Page 7 of MFMA Circular No 71*	ZFM has historic Employment Benefit Liabilities which negatively affects ZFM's cash flow position. Refer to Note 48, Management's Going Concern Assessment for more detail.
					Current Assets	3 716 411	1 912 039		
					Current Liabilities	13 060 106	13 902 037		
C.	**Liability Management**								
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		0.42%	0.47%	*Refer to Page 8 of MFMA Circular No 71*	ZFM leased copier machines from 2018/19 financial year.
					Interest Paid	48 814	127 773		
					Redemption	293 310	241 720		
					Total Operating Expenditure	80 870 637	79 269 060		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		10.44%	24.29%	*Refer to Page 9 of MFMA Circular No 71*	ZFM leased copier machines from 2018/19 financial year.
					Total Debt	115 632	454 212		
					Total Operating Revenue	81 245 149	79 364 131		
					Operational Conditional Grants	80 137 977	77 494 020		

APPENDIX H
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RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2021

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2021 R	2020 R		
C.	**Sustainability**								
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		8.07%	3.35%	*Refer to Page 9 of MFMA Circular No 71*	The level of Cash Backed of Reserves has improved but will be addressed by Management's Going Concern Assessment, refer to Note 49.
					Cash and Cash Equivalents	2 281 203	1 021 568		
					Bank Overdraft	-	-		
					Short Term Investment	-	-		
					Long Term Investment	-	-		
					Unspent Grants	533 983	283 533		
					Net Assets	-	-		
					Share Premium	-	-		
					Share Capital	-	-		
					Revaluation Reserve	-	-		
					Fair Value Adjustment Reserve	-	-		
					Accumulated Surplus	(21 652 980)	(22 027 492)		
2.	**FINANCIAL PERFORMANCE**								
A.	**Efficiency**								
1.	Net Operating Surplus Margin	((Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue) x 100	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		0.46%	0.12%	*Refer to Page 10 of MFMA Circular No 71*	The Net Operating Surplus Margin is above 0% due to the implementation of cost containment controls.
					Total Operating Revenue	81 245 149	79 364 131		
					Depreciation - Revalued Portion	-	-		
					Total Operating Expenditure	80 870 637	79 269 060		
					Taxation Expense	-	-		
B.	**Distribution Losses**								
	ZFM has transferred the distribution of water and electricity to Local Municipalities								
C.	**Revenue Management**								
	ZFM has transferred the distribution of water and electricity to Local Municipalities								

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2021

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2021 R	2020 R		
D.	**Expenditure Management**								
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) × 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		60 Days	37 Days	*Refer to Page 16 of MFMA Circular No 71*	The Creditors Payment Period has increased due to the COVID-19 challenges experienced during the 2020/21 financial year. Refer to Note 16.
					Trade Creditors	2 702 294	1 873 003		
					Contracted Services	5 650 804	5 912 789		
					Inventory Consumed	458 807	328 485		
					Operational Costs	8 084 767	10 648 346		
					Transfers and Subsidies Paid	594 159	462 173		
					Operating Leases	926 678	977 874		
					Capital Credit Purchases	840 613	166 783		
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		4.41%	7.45%	*Refer to Page 16 of MFMA Circular No 71*	Refer to Note 35 for detailed explanations.
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	3 563 229	5 902 281		
					Total Operating Expenditure	80 870 637	79 269 060		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		79.33%	74.13%	*Refer to Page 17 of MFMA Circular No 71*	Remuneration as a % has increassed due to vacant positions which were filled and Post-Employment Benefit Laibility movements. The high remuneration % will be addressed by Management's Going Concern Assessment. Refer to Note 49.
					Employee / Personnel Related Cost	60 176 818	54 909 455		
					Councillors Remuneration	3 974 721	3 850 177		
					Total Operating Expenditure	80 870 637	79 269 060		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		6.99%	7.46%	*Refer to Page 17 of MFMA Circular No 71*	Contracted services are affected by grant spending, refer to Note 25 for more detail.
					Contracted Services	5 650 804	5 912 789		
					Total Operating Expenditure	80 870 637	79 269 060		
					Taxation Expense	-	-		
E.	**Grant Dependency**								
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		89.25%	100.00%	*Refer to Page 18 of MFMA Circular No 71*	Capital Expenditures were not grant dependant.
					Internally Generated Funds	750 269	166 783		
					Borrowings	-	-		
					Total Capital Expenditure	840 613	166 783		

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RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2021

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2021 R	2020 R		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		89.25%	100.00%	*Refer to Page 18 of MFMA Circular No 71*	Capital Expenditures were not grant dependant.
					Internally Generated Funds	750 269	166 783		
					Total Capital Expenditure	840 613	166 783		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		1.36%	2.36%	*Refer to Page 18 of MFMA Circular No 71*	ZFM has limited own sources of revenue as all the functions were transferred to Local Municipalities.
					Total Revenue	81 245 149	79 364 131		
					Government Grant and Subsidies	80 137 977	77 494 020		
					Public Contributions and Donations	-	-		
					Capital Grants	-	-		
3.	**BUDGET IMPLEMENTATION**								
A.	**Efficiency**								
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		79.15%	92.66%	*Refer to Page 19 of MFMA Circular No 71*	Laptop Tender was postponed due to SCM challenges.
					Actual Capital Expenditure	840 613	166 783		
					Budgeted Capital Expenditure	1 062 000	180 000		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		98.60%	101.02%	*Refer to Page 20 of MFMA Circular No 71*	Overspending in 2019/20 due to a change in PEMA Policy which resulted in an increase in Past Service Cost.
					Actual Operating Expenditure	80 870 637	79 269 060		
					Budgeted Operating Expenditure	82 016 378	78 470 785		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		96.34%	99.61%	*Refer to Page 20 of MFMA Circular No 71*	Only realistic revenue was included in the budget.
					Actual Operating Revenue	81 245 149	79 364 131		
					Budgeted Operating Revenue	84 332 000	79 672 289		

Interpretation of Results:

The green colour indicates that the result is within the norm and is acceptable.

The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.