

**Moqhaka Local Municipality**  
Annual Financial Statements for the year ended 30 June 2021



**Moqhaka Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2021**

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\* See Note

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Jurisdiction Number</b>	Municipal demarcation code FS201
<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.
<b>Nature of business and principal activities</b>	Moqhaka is a local municipality performing functions as set out in the Constitution of South Africa (Act 105 of 1996).
<b>Mayoral committee</b>	
Executive Mayor	Phooko, P (Deceased); Chakane,MS (Appointed 16 Oct 2020)
Speaker	Khiba,SV (Appointed 29 Oct 2020)
Council Whip	Tladi,SB (Appointed 29 Oct 2020)
Members of the Mayoral Committee	Kokami, KL Magadlala, ZS Mahlatsi, MS Manefeldt, ZJC Mokoena, S Moletsane, ER Mpondo, VL Rooskrans, B Ramathibe, BS
<b>Grading of local authority</b>	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
<b>Accounting Officers</b>	Mqwathi, MS Monyaki, SJ (Acting)
<b>Chief Finance Officer (CFO)</b>	Marumo, T
<b>Registered office</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Business address</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Postal address</b>	PO Box 302 Kroonstad 9500
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Du Randt & Louw Majavu Incorporated Poswa Incorporated Tsoetsi & Mochunu Incorporated

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## General Information

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**Preparer**

The Chief Financial Officer

**Members of council**

Baba, JM  
Boeije, HME  
Bolofo, LD  
Dalton, CM  
Geldenhuis, J  
Hattingh, JM  
Khasudi, D  
Khunyeli, JM  
Leboko, OA  
Lithupa, MJ  
Makae, HG  
Makhanda, ML  
Mahlatsi, MS  
Mahlatsi, JR  
Malejoane, AM  
Marako, TJ  
Mareka, J (Deceased)  
Mntuze, ME  
Mohoaladi, ME  
Mpele, MPE  
Mokotedi, MV  
Maphazi, BD (Deceased)  
Muller, ND  
Nhlapo, M  
Nzunga, DN  
Pietersen, ML  
Pittaway, SH  
Ramajoe, EL  
Serapela, DJ  
Thajane, MI  
Van Schaalkwyk, L  
Viljoen, AH  
Yho-Yho, M

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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COID	Compensation for Occupational Injuries and Diseases
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
EPWP	Extended Public Works Programme
GRAP	Generally Recognised Accounting Practice
MMC	Member of Mayoral Committee
HDF	Housing Development Fund
IAS	International Accounting Standards
FMG	Financial Management Grant
IPSAS	International Public Sector Accounting Standards
COGTA	Cooperative Governance and Traditional Affairs
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DWS	Department of Water and Sanitation
IDP	Integrated Development Plan
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers (Previously known as IMFO)

# **Moqhaka Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

## **Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 32 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 7 to 82, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2021 and were signed on its behalf by:

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**Monyaki, SJ (Acting)**  
**Accounting Officer**

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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The accounting officers submit their report for the year ended 30 June 2021.

### 1. Review of activities

#### Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Moghaka Municipal Area.

Net deficit of the municipality was R 52 314 751 (2020: deficit R 157 543 928).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The analysis of the going concern is clearly depicted in note 51.

### 3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year that could have an impact on the annual financial statements, except for matters as outlined in note 52.

### 4. Accounting Officers' interest in contracts

The accounting officers did not have any interest in contracts during the financial year.

### 5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

### 6. Accounting Officers

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

Name	Nationality
Mqwathi, MS	South African
Monyaki, SJ (Acting)	South African

### 7. Auditors

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

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	3	32 729 244	15 053 348
Inventories	4	90 707 530	87 631 872
Investments	5	106 792	103 081
Receivables from exchange transactions	6	333 983 201	264 039 245
Receivables from non-exchange transactions	7	63 459 178	49 920 099
VAT receivable	18	94 809 652	93 199 399
		<b>615 795 597</b>	<b>509 947 044</b>
Non-Current Assets			
Heritage assets	8	7 761 921	7 761 921
Intangible assets	9	2 742 315	2 765 638
Investments	5	251 946	208 870
Investment property	10	105 837 439	104 727 855
Property, plant and equipment	11	1 993 617 609	2 040 283 309
Receivables from exchange transactions	6	1 528 824	3 312 982
Receivables from non-exchange transactions	7	219 686	359 575
		<b>2 111 959 740</b>	<b>2 159 420 150</b>
<b>Total Assets</b>		<b>2 727 755 337</b>	<b>2 669 367 194</b>
<b>Liabilities</b>			
Current Liabilities			
Borrowings	14	14 289 087	10 154 603
Consumer deposits	12	13 441 256	13 022 242
Employee benefit obligations	19	7 266 827	7 214 125
Finance lease obligation	13	175 105	1 053 684
Payables from exchange transactions	15	652 537 591	536 375 099
Provisions	16	67 000	74 000
Unspent conditional grants and receipts	17	10 690 948	7 822 689
		<b>698 467 814</b>	<b>575 716 442</b>
Non-Current Liabilities			
Employee benefit obligation	19	55 133 000	56 908 852
Finance lease obligation	13	-	175 104
Borrowings	14	14 166 372	16 182 041
Provisions	16	107 840 011	115 921 854
		<b>177 139 383</b>	<b>189 187 851</b>
<b>Total Liabilities</b>		<b>875 607 197</b>	<b>764 904 293</b>
<b>Net Assets</b>		<b>1 852 148 140</b>	<b>1 904 462 901</b>
Accumulated surplus		1 852 148 140	1 904 462 901
<b>Total Net Assets</b>		<b>1 852 148 140</b>	<b>1 904 462 901</b>

\* See Note 49



# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Fair value adjustments	43	1 152 660	1 091 779
Fees	27	322 238	1 128 743
Gains on employee benefit obligation	44	6 621 274	9 744 150
Interest received	28	25 266 142	31 633 534
Other income	29	24 790 060	28 120 176
Rental of facilities and equipment	26	4 446 431	3 059 999
Service charges	24	512 887 743	456 803 428
<b>Total revenue from exchange transactions</b>		<b>575 486 548</b>	<b>531 581 809</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	76 835 758	71 511 871
<b>Transfer revenue</b>			
Fines	30	2 033 190	3 152 421
Government grants and subsidies	22	324 682 143	258 828 317
Public contributions and donations	25	5 344 094	-
<b>Total revenue from non-exchange transactions</b>		<b>408 895 185</b>	<b>333 492 609</b>
<b>Total revenue</b>	21	<b>984 381 733</b>	<b>865 074 418</b>
<b>Expenditure</b>			
Bulk purchases	40	291 442 957	280 065 732
Contracted services	37	53 253 460	51 730 266
Depreciation and amortisation	34	110 342 712	110 771 238
Debt impairment	33	80 489 324	97 080 956
Employee related costs	31	311 566 105	292 738 024
Finance costs	36	13 381 985	29 669 959
General expenses	42	77 911 222	69 875 875
Grants and subsidies paid	39	1 237 574	4 667 192
Impairment loss on assets	35	143 485	1 847 301
Loss on disposal of assets	41	550 825	4 961 344
Remuneration of councillors	32	19 711 279	20 143 262
Repairs and maintenance	38	76 665 556	59 067 197
<b>Total expenditure</b>		<b>1 036 696 484</b>	<b>1 022 618 346</b>
<b>Deficit for the year</b>		<b>(52 314 751)</b>	<b>(157 543 928)</b>

\* See Note 49

# Moqhaka Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 892 774 070	1 892 774 070
Adjustments		
Prior year adjustments (Refer Note 49)	169 232 759	169 232 759
<b>Balance at 01 July 2019 as restated</b>	<b>2 062 006 829</b>	<b>2 062 006 829</b>
Deficit for the year	(157 543 928)	(157 543 928)
Total changes	(157 543 928)	(157 543 928)
<b>Restated Balance at 01 July 2020</b>	<b>1 904 462 891</b>	<b>1 904 462 891</b>
Deficit for the year	(52 314 751)	(52 314 751)
Total changes	(52 314 751)	(52 314 751)
<b>Balance at 30 June 2021</b>	<b>1 852 148 140</b>	<b>1 852 148 140</b>

\* See Note 49

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Customers		452 480 691	413 664 240
Grants		327 550 402	264 660 769
Interest		879 654	3 066 313
Other receipts		44 709 947	46 297 268
		<u>825 620 694</u>	<u>727 688 590</u>
<b>Payments</b>			
Employee costs		(337 898 658)	(322 625 436)
Suppliers		(404 663 658)	(332 003 755)
Finance costs		(6 820 876)	(18 014 566)
		<u>(749 383 192)</u>	<u>(672 643 757)</u>
<b>Net cash flows from operating activities</b>	46	<b>76 237 502</b>	<b>55 044 833</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(59 329 647)	(46 229 646)
Purchase of intangible assets	9	(293 380)	-
Additions of investments		(3 711)	(2 767 379)
		<u>(59 626 738)</u>	<u>(48 997 025)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		2 118 815	1 490 310
Finance lease repayments		(1 053 683)	(1 058 942)
		<u>1 065 132</u>	<u>431 368</u>
<b>Net increase in cash and cash equivalents</b>		<b>17 675 896</b>	<b>6 479 176</b>
Cash and cash equivalents at the beginning of the year		15 053 348	8 574 172
<b>Cash and cash equivalents at the end of the year</b>	3	<b>32 729 244</b>	<b>15 053 348</b>

\* See Note 49

# Moqhaka Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	567 749 000	-	<b>567 749 000</b>	512 887 743	<b>(54 861 257)</b>	24
Rental of facilities and equipment	4 769 000	-	<b>4 769 000</b>	4 446 431	<b>(322 569)</b>	26
Other income	14 039 000	-	<b>14 039 000</b>	38 230 326	<b>24 191 326</b>	29
Interest received	32 168 000	-	<b>32 168 000</b>	25 266 142	<b>(6 901 858)</b>	28
<b>Total revenue from exchange transactions</b>	<b>618 725 000</b>	-	<b>618 725 000</b>	<b>580 830 642</b>	<b>(37 894 358)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	80 720 000	-	<b>80 720 000</b>	76 835 758	<b>(3 884 242)</b>	23
<b>Transfer revenue</b>						
Government grants & subsidies	225 857 000	36 708 000	<b>262 565 000</b>	262 372 712	<b>(192 288)</b>	22
Fines	7 426 000	-	<b>7 426 000</b>	2 033 190	<b>(5 392 810)</b>	30
<b>Total revenue from non-exchange transactions</b>	<b>314 003 000</b>	<b>36 708 000</b>	<b>350 711 000</b>	<b>341 241 660</b>	<b>(9 469 340)</b>	
<b>Total revenue</b>	<b>932 728 000</b>	<b>36 708 000</b>	<b>969 436 000</b>	<b>922 072 302</b>	<b>(47 363 698)</b>	
<b>Expenditure</b>						
Employee costs	(305 547 000)	-	<b>(305 547 000)</b>	(311 566 105)	<b>(6 019 105)</b>	31
Remuneration of councillors	(19 373 000)	-	<b>(19 373 000)</b>	(19 711 279)	<b>(338 279)</b>	32
Depreciation and amortisation	(4 470 000)	-	<b>(4 470 000)</b>	(110 342 712)	<b>(105 872 712)</b>	34
Finance costs	(6 725 000)	-	<b>(6 725 000)</b>	(13 381 985)	<b>(6 656 985)</b>	36
Debt Impairment	(93 663 000)	-	<b>(93 663 000)</b>	(80 489 324)	<b>13 173 676</b>	33
Bulk purchases	(281 232 000)	-	<b>(281 232 000)</b>	(291 442 957)	<b>(10 210 957)</b>	40
General Expenses	(85 367 000)	(2 521 000)	<b>(87 888 000)</b>	(79 843 106)	<b>8 044 894</b>	42
Contracted Services	(117 992 000)	(2 779 000)	<b>(120 771 000)</b>	(129 919 016)	<b>(9 148 016)</b>	37
<b>Total expenditure</b>	<b>(914 369 000)</b>	<b>(5 300 000)</b>	<b>(919 669 000)</b>	<b>(1 036 696 484)</b>	<b>(117 027 484)</b>	
<b>Operating deficit</b>	<b>18 359 000</b>	<b>31 408 000</b>	<b>49 767 000</b>	<b>(114 624 182)</b>	<b>(164 391 182)</b>	
Transfers recognised - capital	63 934 000	-	<b>63 934 000</b>	62 309 431	<b>(1 624 569)</b>	
<b>Deficit before taxation</b>	<b>82 293 000</b>	<b>31 408 000</b>	<b>113 701 000</b>	<b>(52 314 751)</b>	<b>(166 015 751)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>82 293 000</b>	<b>31 408 000</b>	<b>113 701 000</b>	<b>(52 314 751)</b>	<b>(166 015 751)</b>	

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

Figures in Rand	Note(s)	2021	2020
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### 1. Presentation of Annual Financial Statements

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

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

These annual financial statements comply with all the requirements of the Standards of Generally Recognised Accounting Practice.

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

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

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

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

##### Services and rates debtors

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

The impairment for Services and rates debtors is calculated on a portfolio basis, based on historical loss ratios, adjusted for local economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to Services and rates debtors balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

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

##### Fair value estimation

The fair value of investment properties is determined with reference to market conditions as at year end. This valuation was performed by a registered professional valuer.

##### Provisions

Provisions were raised and management determined an estimate based on the best information available at the time of making the judgement and estimate of the financial effect.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for the property, plant and equipment as well as intangible assets. The municipality re-assess the useful lives and the residual values if material of the individual asset. This estimate is based on industry norms and future plans of the municipality communicated through its strategic planning processes.

If material, management will change the depreciation consideration of the condition and actual use charge where useful lives are more / less than previously estimated.

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions.

#### Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### Bad debts

All financial assets measured at amortised cost, or cost, are subject to an impairment review in accordance with paragraphs .57 to .64 of GRAP 104

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it is probable that the borrower will enter sequestration or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### 1.3 Investment property

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2021

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### 1.3 Investment property (continued)

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

#### Fair value

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

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

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

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

#### Derecognition

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

- When the municipality leases out the property and receives rental income.

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

- Determining any cash generations independent from other assets.
- Purpose of holding the asset, whether generally held to earn rental income or for capital appreciation.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 38).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 38).

### 1.4 Property, plant and equipment

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

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

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



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

Property, plant and equipment is initially measured at cost.

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

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if: it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost

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

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

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

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

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

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

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

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

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

An entity applies GRAP 12 to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period. The obligations for costs accounted for in accordance with GRAP 12 or this Standard are recognised and measured in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets

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

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

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Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	7 - 80 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	2 - 10 years
Motor vehicles	Straight line	2- 20 years
Office equipment	Straight line	3 - 7 years
IT equipment	Straight line	3 - 7 years
Infrastructure	Straight line	7 - 80 years

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

Community	Straight line	7 - 80 years
Quarries	Straight line	15 - 20 years
Landfill sites	Straight line	15 - 80 years
Finance leases - 3G cards	Straight line	2 years
Finance leases - Cellphones	Straight line	2 years
Solid waste	Straight line	15 - 80 years
Waste water network	Straight line	7 - 80 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 38).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 38).

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the property, plant and equipment.

#### Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

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### 1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.6 Heritage assets

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

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

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

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

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

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

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

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

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

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

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### 1.6 Heritage assets (continued)

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 38).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 38).

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset is revalued, the entire class of heritage assets to which that asset belongs shall be revalued.

If the heritage asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

There is a presumption that fair value can be measured reliably for a heritage asset. However, that presumption can be rebutted when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable. In such a case, the heritage asset shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses.

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

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

#### Impairment

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

# Moqhaka Local Municipality

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## Accounting Policies

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### 1.6 Heritage assets (continued)

#### Transfers

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

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

#### Derecognition

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

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

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

# Moghaka Local Municipality

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### 1.7 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	20 years
Computer software	Straight line	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

#### Residual value

The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to acquire the asset at the end of its useful life; or there is an active market for the asset and:

- (i) residual value can be determined by reference to that market; and
- (ii) it is probable that such a market will exist at the end of the asset's useful life.

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

# Moqhaka Local Municipality

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### 1.8 Financial instruments

A financial asset is:

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

#### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial liability measured at fair value
Investments	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost

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

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

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

The entity measures a financial asset and financial liability initially at its fair value if subsequently measured at fair value.

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

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

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

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

#### Fair value measurement considerations

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## Accounting Policies

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### 1.8 Financial instruments (continued)

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

#### Gains and losses

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

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

#### Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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



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### 1.8 Financial instruments (continued)

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

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

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

#### Financial liabilities

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

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

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

#### Presentation

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

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

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

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

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

### 1.9 Tax

#### Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% in terms of section 7(1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

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### 1.10 Leases

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

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

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

### 1.11 Inventories

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

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

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

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

Inventories shall be recognised as an asset if, and only if,

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

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.11 Inventories (continued)

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

### 1.12 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs: Recognise past service costs as an expense in the reporting period in which the plan is amended.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### Post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charge to income as incurred throughout the year.

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

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

# **Moghaka Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

## **Accounting Policies**

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### **1.13 Provisions and contingencies (continued)**

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

### **1.14 Revenue from exchange transactions**

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

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

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

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense rather than as an adjustment of the amount of revenue originally recognised.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable.

#### **Sale of goods**

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

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

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest and dividends

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

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

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

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when leviable in terms of law.

### 1.15 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

#### Measurement

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

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

#### Assessment Rates

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

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

#### Transfers

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

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

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

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Fines

Fines are measured at the amount of the fine issued, with an adjustment of the estimate amount of fines that may be disputed in a court of law as part of the allowed dispute mechanisms and time frames.

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

### 1.16 Borrowing costs

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

### 1.17 Comparative amounts

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

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 49.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly.

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 Irregular expenditure

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170; or



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 1.20 Irregular expenditure (continued)

- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act and which has not been condoned in terms of that Act; or
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.22 Conditional grants and receipts

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

#### Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

### 1.23 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.23 Segment information (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.24 Related parties

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

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

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

### 1.25 Contractual Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts which are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality. Expenditure on research is recognised as an expense when it is incurred.

### 1.26 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 the notes to the Annual Financial Statements.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

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

### 1.28 Statutory receivables

#### Identification

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means. Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

An entity shall initially measure statutory receivables at their transaction amount. The statutory receivables in paragraph .06 shall be measured initially in accordance with the applicable Standard of GRAP. The amount determined on initial measurement in accordance with another Standard of GRAP is the same as the transaction amount described in this Standard.

#### Subsequent measurement

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

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

#### Accrued interest

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

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.28 Statutory receivables (continued)

Interest on statutory receivables shall be recognized as revenue in accordance with GRAP 9 or GRAP 23, whichever is applicable

#### Impairment losses

An entity shall assess at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired. If any such indication exists, the entity shall apply paragraphs .22 to .29.

The future cash flows of a group of statutory receivables that are collectively evaluated for impairment can be estimated using historical experience for receivables with similar characteristics. Entities that have no entity-specific historical experience or insufficient experience, can use peer group experience (when available) for comparable groups of statutory receivables. Historical experience may need to be adjusted to reflect the effects of current conditions that did not affect the period on which the historical experience is based and, to remove the effects of conditions in the historical period that do not exist currently. Where historical experience is used, the methodology and assumptions used to estimate future cash flows shall be reviewed regularly to reduce any differences between estimated and actual impairment losses.

An impairment loss recognized in prior periods for a statutory receivable shall be revised if there has been a change in the estimates used since the last impairment loss was recognized, or to reflect the effect of discounting the estimated cash flows in accordance with paragraph .23.

#### Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP 104 on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

# **Moqhaka Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

## **Accounting Policies**

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### **1.29 National Housing Programme**

The Moqhaka Local Municipality is a Category B municipality. The municipality is not yet accredited for the housing development scheme. The municipality is currently in the process of a level 1 accreditation. However, the municipality is still required in terms of the guidelines on accounting for arrangements undertaken in terms of the National Housing Programme.

In terms of this level 1 accreditation, the municipality is required to identify and plan local housing programmes and projects. This is done through the Municipal Human Settlements Plan (MHSP), which is integrated into the municipality's Integrated Development Plan (IDP). The IDP has been approved through a Council resolution and subsequently submitted to the MEC for Local Government for review and comment.

In complying with the requirements of the ASB guidelines, the municipality further identified sites Reconstruction and Development Programme (RDP) development. These sites have been included as inventory in the Annual Financial Statements.

The municipality makes available the land earmarked for RDP housing construction as classified under inventory on vacant sites to the provincial Department of Human Settlement and disposes of the land once beneficiaries take ownership and/or when deeds registrations are finalised.

#### **Beneficiary management**

The municipality assists in the collection of application forms from beneficiaries, informing eligible beneficiaries of the outcome of their application by the relevant provincial Department of Human Settlements and assisting with the handover of the houses.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued

The following standards and amendments to standards have been issued but are not yet effective.

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020
GRAP 18 (as amended 2016) : Segment Reporting	01 April 2020

#### **Expected impact:**

The impact of the standard is not material. The adoption of this has not had a material impact on the result of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

<b>Standard/ Interpretation issued, but not yet effective:</b>	<b>Effective date: Years beginning on or after</b>
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The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 July 2021 or later periods:

Guideline on Accounting of landfill sites	To be determined
The Application of Materiality to Financial Statements	To be determined

#### **Expected impact:**

Unlikely there will be a material impact.

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	24 394	24 394
Bank balances	6 106 474	5 318 824
Short-term deposits	26 598 376	9 710 130
	<b>32 729 244</b>	<b>15 053 348</b>

### Cash and cash equivalents pledged as collateral

Guarantee issued to the Department of Mineral Resources	50 000	50 000
This cession is linked to ABSA notice deposit account number: 205-8247-882		

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA BANK - Cheque Account-405-327-7876	6 103 851	5 316 301	9 868 863	6 103 851	5 316 301	8 522 640
Cash on hand	-	-	-	24 394	24 394	21 394
Accrued interest	3 310	2 523	35 565	3 310	2 523	30 138
ABSA BANK - Call Account - 91-3190-1443	26 598 376	9 710 130	6 597 524	26 598 376	9 710 130	6 597 524
<b>Total</b>	<b>32 705 537</b>	<b>15 028 954</b>	<b>16 501 952</b>	<b>32 729 931</b>	<b>15 053 348</b>	<b>15 171 696</b>

### 4. Inventories

Consumable stores	14 086 665	10 960 271
Vacant Sites held for resale	76 390 449	76 443 336
Water	230 416	228 265
	<b>90 707 530</b>	<b>87 631 872</b>

Consumable Inventory held by the municipality increased by R 3,126,394 in the current year (2020 decrease: R 1,028,737 ).

Vacant sites by the municipality decreased by R 52,887 in the current year (2020 decrease: R 3,580,652).

Water Inventory held by the municipality increased R 2,151 in the current year (2020 decrease: R 45,111).

During the year inventory that were expensed through the Statement of Financial Performance amounted to R 6,951,133 (2020: R6,156,818).

No Inventories have been pledged as collateral for liabilities of the municipality.

### 5. Investments

#### Designated at fair value

ABSA deposits	106 792	103 081
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#### At fair value

Senwes	137 726	118 220
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The fair value is based on quoted price from active markets for identical assets and is therefore a level 1. (11 822 shares at R11.65)

Senwesbel	114 220	90 650
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The fair value is based on quoted price from active markets for identical assets and is therefore a level 1. (18 130 shares at R6.30)

	<b>251 946</b>	<b>208 870</b>
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# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Investments (continued)</b>		
<b>Total other financial assets</b>	<b>358 738</b>	<b>311 951</b>
<b>Non-current assets</b>		
At fair value	251 946	208 870
<b>Current assets</b>		
At amortised cost	106 792	103 081
<b>Financial assets at fair value</b>		
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
<b>6. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	83 666 088	63 211 883
Water	516 812 360	433 872 282
Waste Water	140 588 218	113 944 459
Waste	100 076 630	82 115 622
Other Services	77 609 493	71 735 292
	<b>918 752 789</b>	<b>764 879 538</b>
<b>Less: Allowance for impairment</b>		
Electricity	(23 626 840)	(20 491 915)
Water	(368 938 232)	(311 931 853)
Waste Water	(76 274 893)	(64 776 872)
Waste	(54 709 799)	(46 467 223)
Other services*	(61 219 824)	(57 172 430)
	<b>(584 769 588)</b>	<b>(500 840 293)</b>
<b>Net balance</b>		
Electricity	60 039 248	42 719 968
Water	147 874 128	121 940 429
Waste Water	64 313 325	49 167 587
Waste	45 366 831	35 648 399
Other services	16 389 669	14 562 862
	<b>333 983 201</b>	<b>264 039 245</b>
<b>Other Services (breakdown)</b>		
Rentals	18 291 505	16 863 538
Sundry services	59 317 988	54 871 754
	<b>77 609 493</b>	<b>71 735 292</b>



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>6. Receivables from exchange transactions (continued)</b>		
The following categories are included in the balance of Sundry Services:		
1. Burial and Cemeteries		
2. Advertising and Signs		
3. Building Plans		
4. Fire & Rescue Services		
5. Connection of Water and Sanitation		
6. Clearance Certificates		
7. Sale of Stands, etc.		
<b>Net balance</b>	<b>77 609 493</b>	<b>71 735 292</b>
<b>Electricity</b>		
Current (0 -30 days)	15 931 418	11 943 050
31 - 60 days	5 131 846	3 266 925
61 - 90 days	3 500 624	1 069 523
> 90 days	35 475 360	26 440 470
	<b>60 039 248</b>	<b>42 719 968</b>
<b>Water</b>		
Current (0 -30 days)	3 783 489	5 720 200
31 - 60 days	3 915 619	2 607 586
61 - 90 days	3 189 494	1 918 179
>90 days	136 985 526	111 694 464
	<b>147 874 128</b>	<b>121 940 429</b>
<b>Sewerage</b>		
Current (0 -30 days)	2 141 257	1 723 002
31 - 60 days	1 584 009	1 358 362
61 - 90 days	1 460 082	1 043 888
> 90 days	59 127 977	45 042 335
	<b>64 313 325</b>	<b>49 167 587</b>
<b>Refuse</b>		
Current (0 -30 days)	1 419 618	1 207 945
31 - 60 days	1 043 952	902 776
61 - 90 days	965 416	704 323
> 90 days	41 937 845	32 833 355
	<b>45 366 831</b>	<b>35 648 399</b>
<b>Other services</b>		
Current (0 -30 days)	170 962	198 796
31 - 60 days	319 806	120 520
61 - 90 days	122 110	128 682
91 - 120 days	15 776 791	14 114 864
	<b>16 389 669</b>	<b>14 562 862</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	18 134 550	24 092 050
31 - 60 days	17 050 391	13 186 768
61 - 90 days	14 814 178	11 085 538
91 - 120 days	772 853 263	672 049 569
	<u>822 852 382</u>	<u>720 413 925</u>
Less: Allowance for impairment	(567 449 579)	(488 538 707)
	<u><b>255 402 803</b></u>	<u><b>231 875 218</b></u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	14 902 632	6 907 786
31 - 60 days	4 314 409	1 484 090
61 - 90 days	2 431 126	725 929
91 - 120 days	32 151 511	12 711 019
	<u>53 799 678</u>	<u>21 828 824</u>
Less: Allowance for impairment	(17 270 009)	(12 302 585)
	<u><b>36 529 669</b></u>	<u><b>9 526 239</b></u>
<b>National and provincial government</b>		
Current (0 -30 days)	5 119 904	5 073 492
31 - 60 days	5 118 276	3 300 949
61 - 90 days	3 893 225	787 715
91 - 120 days	27 969 324	13 474 638
Less: Allowance for impairment	-	-
	<u><b>42 100 729</b></u>	<u><b>22 636 794</b></u>
<b>Total</b>		
Current (0 -30 days)	43 676 223	36 052 496
31 - 60 days	23 011 812	17 960 402
61 - 90 days	15 224 602	12 589 593
91 - 120 days	836 840 152	698 277 047
	<u>918 752 789</u>	<u>764 879 538</u>
Less: Allowance for impairment	(584 769 588)	(500 840 293)
	<u><b>333 983 201</b></u>	<u><b>264 039 245</b></u>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(584 769 588)	(500 840 293)
<b>Non Current Receivables from exchange transactions</b>		
> 365 days	<u>1 528 824</u>	<u>3 312 982</u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(500 840 293)	(398 978 419)
Contributions to allowance	(83 929 295)	(101 861 874)
	<u><b>(584 769 588)</b></u>	<u><b>(500 840 293)</b></u>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 6. Receivables from exchange transactions (continued)

#### Non Current Receivables from exchange transactions

Arrangements included in the above receivables form exchange transactions amounting to R 1.5m (2020: R3.3m), is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year.

No receivable form exchange transaction have been pledged as collateral for liabilities of the municipality.

#### Credit quality of consumer debtors

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

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>7. Receivables from non-exchange transactions</b>		
Long Term Debtors	219 686	359 575
Outstanding Electricity Collections	11 990 506	7 562 574
Prepayments	4 738 455	-
Fuel Deposits	4 784 820	3 784 820
Other Receivables	1 742 336	1 740 260
Eskom Account Deposit	694 021	666 687
Prepaid Insurance Premiums	-	962 713
Statutory receivables - Fines	350 439	659 781
Statutory receivables - Assessment rates	39 158 601	34 543 264
	<b>63 678 864</b>	<b>50 279 674</b>
Non-current assets	219 686	359 575
Current assets	63 459 178	49 920 099
	<b>63 678 864</b>	<b>50 279 674</b>
<b>Assessment rates</b>		
Gross balance	69 342 269	61 801 355
Less: Allowance for impairment	(30 183 668)	(27 258 091)
	<b>39 158 601</b>	<b>34 543 264</b>
<b>Total</b>		
Current (0-30 days )	4 594 965	7 218 755
31 - 60 days	2 603 203	2 557 005
61 - 90 days	1 769 644	1 882 173
> 90 days	60 374 457	50 143 422
Less: Impairment	(30 183 668)	(27 258 091)
	<b>39 158 601</b>	<b>34 543 264</b>
<b>Residential</b>		
Current (0 - 30 days)	2 703 385	1 752 737
31 - 60 days	1 665 419	1 038 195
61 - 90 days	1 404 428	874 404
> 90 days	54 207 395	33 718 850
Less: Impairment	(23 734 215)	(22 123 123)
	<b>36 246 412</b>	<b>15 261 063</b>
<b>Industrial / commercial</b>		
Current (0 - 30 days)	1 341 496	3 955 627
31 - 60 days	450 595	1 510 398
61 - 90 days	353 864	999 357
> 90 days	6 115 883	16 395 075
Less: Impairment	(6 449 453)	(5 134 968)
	<b>1 812 385</b>	<b>17 725 489</b>
<b>National and provincial government</b>		
Current (0 - 30 days)	550 084	1 510 391
31 - 60 days	487 189	8 411
61 - 90 days	11 352	8 411
> 90 days	51 179	29 496
	-	-
	<b>1 099 804</b>	<b>1 556 709</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021      2020

### 7. Receivables from non-exchange transactions (continued)

#### Reconciliation of allowance for impairment - Assessment Rates

Balance at the beginning of the year	(27 258 091)	(23 532 994)
Contributions to allowance	(2 925 577)	(3 725 097)
	<b>(30 183 668)</b>	<b>(27 258 091)</b>

#### Fines

Gross balance	1 742 771	2 385 555
Less: Allowance for impairment	(1 392 332)	(1 725 773)
	<b>350 439</b>	<b>659 782</b>

#### Reconciliation of allowance for impairment - Fines

Balance at the beginning of the year	(1 725 773)	(1 715 664)
Contribution to allowance	(1 392 332)	(1 725 773)
Reversal of impairment	1 725 773	1 715 664
	<b>(1 392 332)</b>	<b>(1 725 773)</b>

The calculation in respect of the impairment fines receivable is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 24% (2020: 33%).

The calculation for initial recognition and measurement of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 5% (2020: 15%).

#### Non Current Receivables from non-exchange transactions

Other receivables from non-exchange transactions	219 686	359 575
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### 8. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	7 761 921	-	7 761 921	7 761 921	-	7 761 921

#### Reconciliation of heritage assets 2021

	<b>Opening balance</b>	<b>Total</b>
Heritage assets	7 761 921	7 761 921

#### Reconciliation of heritage assets 2020

	<b>Opening balance</b>	<b>Total</b>
Heritage assets	7 761 921	7 761 921

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

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

#### Heritage assets

The municipality's Heritage Assets comprise of significant historical assets within the Moqhaka Municipality.

These are made up of the:

1. Anglo-Boer War Memorial Burial Site,
2. Sports Monument,
3. Mayoral Chains.
4. ZR Mahabane House

#### Reconciliation of Heritage Assets

	Carrying amount 2021	Carrying amount 2020
Municipal Jewelry	1 277 800	1 277 800
Areas of land of historic or specific significance	250 122	250 122
Culturally significant buildings	6 233 999	6 233 999
	<u>7 761 921</u>	<u>7 761 921</u>

### 9. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 698 021	(2 955 706)	2 742 315	5 404 641	(2 639 003)	2 765 638

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	2 765 638	293 380	(316 703)	2 742 315

#### Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	3 083 047	(317 409)	2 765 638

#### Other information

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose titles are restricted or pledged as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 10. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	105 837 439	-	105 837 439	104 727 855	-	104 727 855

### Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	104 727 855	1 109 584	105 837 439

### Reconciliation of investment property - 2020

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	92 529 032	(50 000)	11 499 974	748 849	104 727 855

### Pledged as security

There are currently no restrictions on Investment Property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations for the acquisition of Investment Property.

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

### Details of valuation

The fair value of the investment property was provided by Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of section 22 of (Act 47) of 2000 Property Valuers Profession Bill.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	4 448 191	3 059 999
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# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	45 629 606	-	45 629 606	45 629 606	-	45 629 606
Buildings and Fixtures	68 682 646	(28 411 958)	40 270 688	68 656 561	(26 861 093)	41 795 468
Plant and machinery	9 388 557	(6 464 617)	2 923 940	9 055 995	(5 836 269)	3 219 726
Furniture and office equipment	10 988 517	(7 674 841)	3 313 676	10 338 706	(7 164 166)	3 174 540
Motor vehicles	57 008 272	(40 171 021)	16 837 251	56 069 068	(37 473 660)	18 595 408
IT equipment	14 691 203	(8 710 239)	5 980 964	11 527 222	(7 721 383)	3 805 839
Landfill Sites	15 102 247	(13 594 379)	1 507 868	15 102 247	(13 482 441)	1 619 806
Infrastructure	4 096 100 151	(2 380 803 110)	1 715 297 041	4 061 009 688	(2 284 694 152)	1 776 315 536
Community	199 843 433	(110 803 986)	89 039 447	199 597 069	(105 216 274)	94 380 795
Capital work in progress	72 638 314	-	72 638 314	50 510 859	-	50 510 859
Finance leased assets	3 223 497	(3 044 683)	178 814	3 223 497	(1 987 771)	1 235 726
<b>Total</b>	<b>4 593 296 443</b>	<b>(2 599 678 834)</b>	<b>1 993 617 609</b>	<b>4 530 720 518</b>	<b>(2 490 437 209)</b>	<b>2 040 283 309</b>



# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Public contributions and donations	Depreciation	Impairment loss	Total
Land	45 629 606	-	-	-	-	-	-	-	45 629 606
Buildings and Fixtures	41 795 468	26 085	-	-	-	-	(1 550 865)	-	40 270 688
Plant and machinery	3 219 726	268 426	(708)	-	-	69 900	(599 875)	(33 529)	2 923 940
Furniture and office equipment	3 174 540	600 826	(4 583)	-	-	54 200	(499 199)	(12 108)	3 313 676
Motor vehicles	18 595 408	-	(64 750)	-	-	1 445 770	(3 055 207)	(83 970)	16 837 251
IT equipment	3 805 839	309 795	(7 159)	2 581 319	-	286 873	(981 825)	(13 878)	5 980 964
Landfill Sites	1 619 806	-	-	-	-	-	(111 938)	-	1 507 868
Infrastructure	1 776 315 536	3 530 662	(420 738)	28 966 705	-	3 487 352	(96 582 476)	-	1 715 297 041
Community	94 380 795	246 364	-	-	-	-	(5 587 712)	-	89 039 447
Capital work in progress	50 510 859	54 347 489	-	(31 548 024)	(672 010)	-	-	-	72 638 314
Finance leased assets	1 235 726	-	-	-	-	-	(1 056 912)	-	178 814
	<b>2 040 283 309</b>	<b>59 329 647</b>	<b>(497 938)</b>	<b>-</b>	<b>(672 010)</b>	<b>5 344 095</b>	<b>(110 026 009)</b>	<b>(143 485)</b>	<b>1 993 617 609</b>

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

	Opening balance	Additions	Disposals	Transfers	Transfer Out	Depreciation	Impairment loss	Total
Land	55 992 167	-	-	-	(10 362 561)	-	-	45 629 606
Buildings	48 338 427	-	-	(3 924 457)	(902 648)	(1 715 854)	-	41 795 468
Plant and machinery	3 075 720	744 028	-	-	-	(567 915)	(32 107)	3 219 726
Furniture and office equipment	3 082 917	583 690	(773)	-	-	(445 549)	(45 745)	3 174 540
Motor vehicles	21 688 316	586 680	(267 473)	-	-	(3 056 941)	(355 174)	18 595 408
IT equipment	4 186 305	555 652	-	-	-	(910 520)	(25 598)	3 805 839
Landfill Sites	1 726 718	-	-	-	-	(106 912)	-	1 619 806
Infrastructure	1 838 465 568	3 174 953	(697 182)	33 760 501	-	(96 999 627)	(1 388 677)	1 776 315 536
Community	94 050 906	67 680	(12 916)	5 865 827	-	(5 590 702)	-	94 380 795
Capital work in progress	49 283 222	40 516 963	-	(34 454 769)	(4 834 557)	-	-	50 510 859
Finance leased assets	2 295 535	-	-	-	-	(1 059 809)	-	1 235 726
	<b>2 122 185 801</b>	<b>46 229 646</b>	<b>(978 344)</b>	<b>1 247 102</b>	<b>(16 099 766)</b>	<b>(110 453 829)</b>	<b>(1 847 301)</b>	<b>2 040 283 309</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 11. Property, plant and equipment (continued)

#### Pledged as security

There are currently no restrictions on property, plant and equipment as they have not being pledged as securities for liabilities:

#### Capital expenditure

#### The municipality currently has the following capital commitments with regards to capital expenditure on infrastructure assets

Approved and contracted for 203 066 148 18 833 788

#### The following amounts relates to leased assets held by the entity included in property, plant and equipment

Office Equipment 175 405 1 228 788

#### Reconciliation of Work-in-Progress

Infrastructure	50 626 520	53 481 294
Community	8 783 375	771 548
Landfill sites	13 228 417	-
Buildings and fixtures	-	565 963
IT Equipment	-	526 611
	<b>72 638 312</b>	<b>55 345 416</b>

#### Other information

The Rammulotsi Landfill site project has been delayed due to the environmental assessments study being performed. However the project has since started to materialize in the current year 2020/21.

Assets registers contain assets with a carrying value of R0. These are assets which have either been fully impaired or have been disposed in the 2019/20 financial year. The latter are kept in the register for comparison purposes.

Construction of 66kV Overhead Ring project in WIP has been delayed due to lack of budget.

Fencing of Steynsrus and Matlwangtlwang offices project has been delayed due to contractor inability to complete the project during the stipulated timeframe.

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

Capital work in progress refers to infrastructure, community asset ongoing projects and assets which have been paid for and have not been delivered as

### 12. Consumer deposits

Electricity	3 389 068	3 255 392
Water	6 058 155	6 201 564
Sundries	3 994 033	3 565 286
	<b>13 441 256</b>	<b>13 022 242</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	174 996	174 996
	<u>174 996</u>	<u>174 996</u>
less: future finance charges	109	109
<b>Present value of minimum lease payments</b>	<u><b>175 105</b></u>	<u><b>175 105</b></u>
<b>Present value of minimum lease payments due</b>		
- within one year	175 105	1 053 684
- in second to fifth year inclusive	-	175 104
	<u><b>175 105</b></u>	<u><b>1 228 788</b></u>
Non-current liabilities	-	175 104
Current liabilities	175 105	1 053 684
	<u><b>175 105</b></u>	<u><b>1 228 788</b></u>

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

The Lease payments does not escalate per annum in line with the Service Level Agreement that the municipality signed, and no arrangements have been entered into for any contingent rent.

### 14. Borrowings

<b>At amortised cost</b>		
Annuity loans - Development Bank of South Africa	28 455 459	26 336 644
Terms and conditions		
	<u>14 166 372</u>	<u>16 182 041</u>
<b>Non-current liabilities</b>		
At amortised cost		
	<u>14 166 372</u>	<u>16 182 041</u>
<b>Current liabilities</b>		
At amortised cost	14 289 087	10 154 603
	<u>14 289 087</u>	<u>10 154 603</u>

### Defaults and breaches

The Municipality restructured all loans from the Development Bank of Sout Africa during 2012. The restructured loan bears interest on the outstanding amount at a fixed rate of 9% while amounts in arrears will bear interest at 11%

The loan is payable in 60(sixty) quarterly payments starting on 1 August 2012. The Municipality has defaulted on three of the four payments in the current year. The Municipality was not able to remedy the defaults and terms of the loan was not required to be renegotiated in terms of the restructured loan.

Balance in arrears	5 650 869	3 854 777
Capital	<u>6 875 459</u>	<u>4 729 629</u>
Interest	12 294 999	8 584 406

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 15. Payables from exchange transactions

Trade payables	632 997 523	524 514 446
Payments received in advance	16 438 779	11 401 516
Deposits received	44 896	19 056
Retention creditors	3 056 393	440 081
	<b>652 537 591</b>	<b>536 375 099</b>

<b>Trade payables 2021</b>	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Bulk electricity	28 230 259	23 348 219	19 125 066	470 862 226	541 565 770
Auditor General	52 614	54 851	3 659 544	5 430 095	9 197 104
Third parties	13 019 393	-	-	-	13 019 393
Various trade creditors	85 341	144 751	33 326	68 951 838	69 215 256
	<b>41 387 607</b>	<b>23 547 821</b>	<b>22 817 936</b>	<b>545 244 159</b>	<b>632 997 523</b>

<b>Trade payables 2020</b>	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Bulk electricity	39 618 606	26 849 408	19 696 813	337 553 859	423 718 686
Auditor General	256 702	472 978	168 833	9 088 864	9 987 377
Third parties	11 225 093	-	-	-	11 225 093
Various trade creditors	1 924 740	-	769 570	76 888 980	79 583 290
	<b>53 025 141</b>	<b>27 322 386</b>	<b>20 635 216</b>	<b>423 531 703</b>	<b>524 514 446</b>

Suppliers have not been paid within the prescribed 30 day period due to cash flow constraints.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 16. Provisions

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Funeral death benefit	74 000	-	(7 000)	-	67 000
Rehabilitation cost of landfill sites	76 775 482	1 055 241	-	(12 222 055)	65 608 668
Rehabilitation cost of quarries	12 579 915	660 446	-	(119 468)	13 120 893
Leave pay	26 566 457	2 543 993	-	-	29 110 450
	<b>115 995 854</b>	<b>4 259 680</b>	<b>(7 000)</b>	<b>(12 341 523)</b>	<b>107 907 011</b>

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Funeral death benefit	82 000	-	(8 000)	-	74 000
Rehabilitation cost of landfill sites	75 411 914	5 650 413	-	(4 286 845)	76 775 482
Rehabilitation cost of quarries	13 620 921	1 064 979	-	(2 105 985)	12 579 915
Leave pay	23 319 910	3 246 547	-	-	26 566 457
	<b>112 434 745</b>	<b>9 961 939</b>	<b>(8 000)</b>	<b>(6 392 830)</b>	<b>115 995 854</b>

Non-current liabilities	107 840 011	115 921 854
Current liabilities	67 000	74 000
	<b>107 907 011</b>	<b>115 995 854</b>

#### Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited.

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation, termination or retirement.

#### Rehabilitation of landfill sites and quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

#### Funeral Death Benefit

The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to these municipal employees, and payouts are only made to employees who are deceased while in the service of the Municipality. The scheme participants make a monthly contribution of R2.5 and upon death the beneficiary/family receives the R1,000 payout.

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 16. Provisions (continued)

#### Landfill site and Quarries provision

##### Summary of liability for landfill site costs

Kroonstad Landfill Site	36 051 295	42 962 162
Steynsrus Landfill Site	9 147 669	14 570 116
Viljoenskroon Landfill Site	20 409 704	19 243 204
Kroonstad gravel quarry	6 990 808	6 951 733
Steynsrus gravel quarry	6 130 085	5 628 182
	<b>78 729 561</b>	<b>89 355 397</b>

#### Key assumptions used:

Assumptions used at the reporting date:

	For Viljoenskroon landfill	For Steynsrus landfill	For Kroonstad landfill
CPI	7.24%	7.24%	7.24%
Discount rates used	5.250%	7.435%	5.250%
Net discount rate	6.15%	8.34%	6.15%

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

LGSETA Grant	1 231 714	1 190 024
WSIG	9 459 234	6 632 665
	<b>10 690 948</b>	<b>7 822 689</b>

#### Movement during the year

Balance at the beginning of the year	7 822 689	2 253 749
Additions during the year	327 550 402	264 397 257
Income recognition during the year	(324 682 143)	(258 828 317)
	<b>10 690 948</b>	<b>7 822 689</b>
Non-current liabilities	-	-
Current liabilities	10 690 948	7 822 689
	<b>10 690 948</b>	<b>7 822 689</b>

See note 22 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

### 18. VAT receivable

Current assets	94 809 652	93 199 399
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 19. Employee benefit obligation

Reconciliation of Employee obligation - 2021	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Long service awards	18 323 655	-	(211 655)	-	18 112 000
Post Retirement Medical Plan	38 585 197	-	(1 564 198)	-	37 020 999
13th Cheque	7 214 125	52 703	-	-	7 266 828
	<b>64 122 977</b>	<b>52 703</b>	<b>(1 775 853)</b>	<b>-</b>	<b>62 399 827</b>

Reconciliation of Employee obligation -2020	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Long service awards	19 205 003	-	(881 348)	-	18 323 655
Post Retirement Medical Plan	42 508 000	-	(3 922 803)	-	38 585 197
13th Cheque	6 602 082	612 043	-	-	7 214 125
	<b>68 315 085</b>	<b>612 043</b>	<b>(4 804 151)</b>	<b>-</b>	<b>64 122 977</b>

#### Long service awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2021.

#### Key assumptions used:

Discount rates used	Yield Curve	7.62%
CPI ( Consumer Price Inflation)	Difference between nominal and yield curve	2.66%
Salary inflation	Equal to CPI+1	3.66%
Net discount rate	Yield Curve Based	3.82%

The basis on which the discount rate has been determined is as follow:

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

#### Amounts recognised in the statement of Financial Performance are as follows:

Current Service cost	(1 626 990)	(910 000)
Interest cost	(1 232 988)	(1 331 000)
Actuarial gain/ (losses)	(1 366 367)	152 347
Benefit payments	4 438 000	2 970 000
	<b>211 655</b>	<b>881 347</b>

#### Amounts recognised in the statement of Financial Position are as follows:

Defined benefit obligation	(18 323 655)	(19 205 003)
Movement in provision	211 655	881 348
	<b>(18 112 000)</b>	<b>(18 323 655)</b>

#### Post retirement medical aid plan

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme.

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 19. Employee benefit obligation (continued)

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(38 585 197)	(42 508 000)
Current interest cost	(3 612 434)	(3 609 000)
Actuarial gains/ (loss)	1 093 037	3 424 803
Benefits payments	4 083 594	4 107 000
	<u>(37 021 000)</u>	<u>(38 585 197)</u>

#### The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

Contributions members (e.g.: Widows, orphans, pensioners)	<u>65</u>	<u>65</u>
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#### Net expense recognised in the statement of financial performance

Interest cost	(3 612 434)	(3 609 000)
Actuarial (gains) losses	1 093 038	3 424 803
Benefit payments	4 083 594	4 107 000
	<u>1 564 198</u>	<u>3 922 803</u>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield Curve	9.89 %
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	5.19 %
Medical Aid Contribution Inflation	CPI+1%	6.69 %
Net Effective Discount Rate	Yield curve based	5.19 %

The basis used to determine the overall expected rate of return on assets is as follow:

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

#### The expected benefit payments over the next annual reporting period is reflected in the table below.

Balance at 30 June 2022	(37 021 000)
Current interest cost	(3 763 000)
Expected benefit payments	3 692 000
	<u>(37 092 000)</u>



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 20. Financial instruments disclosure

#### Categories of financial instruments

##### 2021

#### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	335 512 025	-	335 512 025
Receivables from non-exchange transactions	-	63 678 864	-	63 678 864
Cash and cash equivalents	-	-	32 729 244	32 729 244
Short term deposit	-	-	-	-
Investments	358 738	-	-	358 738
	<b>358 738</b>	<b>399 190 889</b>	<b>32 729 244</b>	<b>432 278 871</b>

#### Financial liabilities

	At amortised cost	At cost	Total
Consumer deposit	13 441 256	-	13 441 256
Finance lease obligation	175 105	-	175 105
Provisions	107 907 011	-	107 907 011
Borrowings	-	28 455 459	28 455 459
Payables form exchange transactions	-	652 537 592	652 537 592
Unspent conditional grants and receipts	10 690 948	-	10 690 948
	<b>132 214 320</b>	<b>680 993 051</b>	<b>813 207 371</b>

##### 2020

#### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	267 352 227	-	267 352 227
Receivables from non-exchange transactions	-	50 279 674	-	50 279 674
Cash and cash equivalents	-	-	15 053 348	15 053 348
Investments	311 951	-	-	311 951
	<b>311 951</b>	<b>317 631 901</b>	<b>15 053 348</b>	<b>332 997 200</b>

#### Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	13 022 242	-	13 022 242
Finance lease obligation	1 228 788	-	1 228 788
Provisions	115 995 854	-	115 995 854
Payables from exchange transactions	-	536 375 099	536 375 099
Unspent conditional grants and receipts	7 822 689	-	7 822 689
Borrowings	-	26 336 644	26 336 644
	<b>138 069 573</b>	<b>562 711 743</b>	<b>700 781 316</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>21. Revenue</b>		
Service charges	512 887 743	456 803 428
Rental of facilities and equipment	4 446 431	3 059 999
Fees earned	322 238	1 128 743
Other income	24 790 060	28 120 176
Interest received - investment	25 266 142	31 633 534
Property rates	76 835 758	71 511 871
Government grants & subsidies	324 682 143	258 828 317
Fines, Penalties and Forfeits	2 033 190	3 152 421
Gains on employee benefit obligation	6 621 274	9 744 150
Fair value adjustments	1 152 660	1 091 779
Public contributions and donations	5 344 094	-
	<b>984 381 733</b>	<b>865 074 418</b>

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

Service charges	512 887 743	456 803 428
Rental of facilities and equipment	4 446 431	3 059 999
Fees earned	322 238	1 128 743
Other income	24 790 060	28 120 176
Interest received - investment	25 266 142	31 633 534
Fair value adjustments	1 152 660	1 091 779
Gains on employee benefit obligation	6 621 274	9 744 150
	<b>575 486 548</b>	<b>531 581 809</b>

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

<b>Taxation revenue</b>		
Property rates	76 835 758	71 511 871
<b>Transfer revenue</b>		
Government grants & subsidies	324 682 143	258 828 317
Public contributions and donations	5 344 094	-
Fines, Penalties and Forfeits	2 033 190	3 152 421
	<b>408 895 185</b>	<b>333 492 609</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	2021	2020
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### 22. Government grants and subsidies

#### Operating grants

Equitable share	258 842 000	205 660 000
LG SETA grant	302 712	131 470
Financial Management grant (FMG)	2 000 000	2 215 000
Disaster Relief Grant	-	1 013 000
Expanded Public Works Program grant (EPWP)	1 228 000	1 000 000
COGTA grant	-	263 512
	<b>262 372 712</b>	<b>210 282 982</b>

#### Capital grants

Water Services Infrastructure grant (WSIG)	12 998 431	8 367 335
Municipal Infrastructure grant (MIG)	49 311 000	40 178 000
	<b>62 309 431</b>	<b>48 545 335</b>
	<b>324 682 143</b>	<b>258 828 317</b>

#### Equitable share

Balance unspent at beginning of year	-	-
Current-year receipts	258 842 000	205 660 000
Conditions met - transferred to revenue	(258 842 000)	(205 660 000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

This grant is primarily used to subsidise the provision of basic services to indigent households. All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse, which is funded from the grant. Indigent households also receive 10kl free water and 50kwh free electricity per month.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current-year receipts	49 311 000	40 178 000
Conditions met - transferred to revenue	(49 311 000)	(40 178 000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

#### LG SETA grant

Balance unspent at beginning of year	1 190 024	877 998
Current-year receipts	344 402	443 496
Conditions met - transferred to revenue	(302 712)	(131 470)
<b>Unspent grant</b>	<b>1 231 714</b>	<b>1 190 024</b>

The grant is used for training municipality staff to enhance their skills in their respective positions.

Conditions still to be met - remain liabilities (see note 17).

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 22. Government grants and subsidies (continued)

#### Extended Public Works Program Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 228 000	1 000 000
Conditions met - transferred to revenue	(1 228 000)	(1 000 000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

This grant is used in respect of job creation projects and programmes.

#### Water Services Infrastructure Grant

Balance unspent at beginning of year	6 632 665	-
Current-year receipts	15 825 000	15 000 000
Conditions met - transferred to revenue	(12 998 431)	(8 367 335)
<b>Unspent grant</b>	<b>9 459 234</b>	<b>6 632 665</b>

This grant is used for infrastructure development including rehabilitation of key infrastructure assets.

Conditions still to be met - remain liabilities (see note 17).

#### Finance Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2 000 000	2 215 000
Conditions met - transferred to revenue	(2 000 000)	(2 215 000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

#### Disaster Relief Grant

Current-year receipts	-	1 013 000
Conditions met - transferred to revenue	-	(1 013 000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

#### CoGTA Grant

Balance unspent at beginning of year	-	1 375 751
Conditions met - transferred to revenue	-	(263 512)
Repayments	-	(1 112 239)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>23. Property rates</b>		
<b>Rates received</b>		
Residential	25 592 486	23 122 620
Commercial	31 084 481	28 475 251
State	20 158 791	19 914 000
	<b>76 835 758</b>	<b>71 511 871</b>

### Valuations

Commercial	6 196 109 400	6 171 275 399
Multi-purpose	163 339 000	93 699 000
Municipal	489 980 202	387 720 204
Non-ratable	241 474 805	242 017 806
Residential	4 686 399 570	4 778 436 570
State	1 167 932 009	1 153 002 008
	<b>12 945 234 986</b>	<b>12 826 150 987</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.022 (2020:R0.020) is applied to property valuations to determine assessment rates.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2020: prime plus 1%) is levied on rates outstanding two months after due date. (Excluding national government property rates which is levied on an annual basis).

An application was made with the Department of CoGTA on 17 July 2020 for an extension of the Valuation Roll (01 July 2017 – 30 June 2021) due to the impact of Covid-19, condition of the water supply, solid waste and waste water services, planned extension off the new developments for business & residential developments, replacement of faulty water & electricity meters inclusive of indigents as well of funds needed for improvement of AG's report relating to infrastructure and immovable assets register. Approval was granted on 23 October 2020 by the Head of CoGTA Mr Mokete Victor Duma until June 2024.

### Income foregone

The Income foregone included in the different property rates relates to the first R 100 000 of all residential properties that are exempted from paying property rates including, discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

### 24. Service charges

Sale of electricity	307 284 596	282 051 725
Sale of water	120 876 594	101 389 992
Solid waste	34 512 838	30 610 192
Waste water	50 213 715	42 751 519
	<b>512 887 743</b>	<b>456 803 428</b>

### Income foregone

The Income foregone included in the difference service charges relates to discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>25. Public contributions and donations</b>		
Department of Water and Sanitaion	69 899	-
De Beers	1 445 770	-
Department of Public Works	3 487 352	-
Department of Arts & Sports	44 700	-
Housing Development Agency	286 873	-
Korone Engineers	9 500	-
	<b>5 344 094</b>	<b>-</b>

### **2020-2021**

Department of Water and Sanitations donated water tanks to the value of R 69 899.  
De Beers Mining Group donated a Water Tanker truck at the value of R 1 445 770.  
The Free State Department of Public Works at the value of R 3 487 351.  
The Free State Department of Arts and Sports donated pool tables to the value of R 44 700.  
The Housing Development Agency donated IT Equipment to the value of R 286 8730.  
Korone Engineers donated office furniture to the value of R 9 500.

### **26. Rental income**

#### **Facilities and equipment**

Rental of facilities	4 446 431	3 059 999
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### **27. Fees**

Administrative and management fees	322 238	1 128 743
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### **28. Interest and dividends**

#### **Interest revenue**

Bank	879 654	1 599 405
South African Revenue Service (SARS)	-	1 466 908
Receivables from exchange transactions	24 386 488	28 567 221
	<b>25 266 142</b>	<b>31 633 534</b>

All amounts above included in Investment revenue arises from exchange transactions.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>29. Other income</b>		
Unclaimed deposits	370 985	1 904 033
Dividends received	15 669	102
Provision for rehabilitation adjustment	12 341 523	6 392 830
Burial income	2 387 588	1 343 034
Clearance certificates	293 968	242 475
Erven sales	2 174 686	7 357 261
Fire brigade and rescue services	730 323	417 984
Escort fees	1 342	3 456
Special services	9 570	3 809
Sundry income	2 420 100	1 780 278
Insurance claims	218 852	2 479 673
Building plans and inspection fees	855 723	786 524
Connection fees	1 203 891	4 719 278
Discount received	66 107	107 640
Hostel fees	41 255	41 255
Inventory adjustments	1 030 212	-
Railway siding	94 297	62 387
Administration income	533 969	478 157
	<b>24 790 060</b>	<b>28 120 176</b>
<b>30. Fines</b>		
Illegal Connections Fines	234 733	725 047
Law Enforcement Fines	269 287	175 364
Municipal Traffic Fines	1 529 170	2 252 010
	<b>2 033 190</b>	<b>3 152 421</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>31. Employee related costs</b>		
Basic salary	183 513 095	169 418 859
13th Cheques	14 436 825	13 726 308
Medical aid - company contributions	18 576 758	17 151 156
UIF	1 480 790	1 489 303
Industrial council levy	99 167	95 092
Leave pay provision charge	6 598 650	6 002 802
Group Life Insurance General	1 279 890	1 385 076
Defined contribution plans	32 029 015	29 853 345
Overtime payments	25 662 871	25 604 562
Long-service awards	1 962 229	1 613 339
Car allowance	17 547 098	16 506 902
Housing benefits and allowances	1 578 150	1 431 698
Other allowances	3 309 362	5 320 717
Telephone allowance	551 250	574 050
Standby allowance	2 940 955	2 564 815
	<b>311 566 105</b>	<b>292 738 024</b>

The salaries, allowances and benefits of staff disclosed are within the upper limits of the SALGA bargaining council determinations.

### Remuneration of Municipal Manager-M.S Mqwathi

Basic Salary	923 280	934 457
Car Allowance	393 637	387 671
Social Contributions	223 467	217 081
Cellphone allowance	36 000	36 000
	<b>1 576 384</b>	<b>1 575 209</b>

### 2021

During the financial year the following Directors acted as Municipal Manager and received acting allowance , Mr. M Mthwalo R 6 742.82 , Ms. P Tshabalala R 12 361.84 and Ms. S Monyaki R 228 249.13.

### 2020

During the financial year the following Directors acted as Municipal Manager and received acting allowance , Mr. M Mthwalo R 92 393, Ms. P Tshabalala R 40 943, Ms. L Ngwenya R 27 922 and Ms. S Monyaki R 13 398.

### Remuneration of Chief Financial Officer: T.R Marumo

Basic Salary	754 736	763 993
Car Allowance	339 534	336 279
Social Contributions	167 330	158 102
Cellphone Allowance	20 400	20 400
	<b>1 282 000</b>	<b>1 278 774</b>

### Executive Director: Technical Services - L.D Nqwenya

Basic Salary	499 133	763 993
Car Allowance	79 685	220 812
Housing Allowance	42 022	124 206
Social Contributions	50 992	147 831
Cellphone Allowance	4 000	20 000
	<b>675 832</b>	<b>1 276 842</b>



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>31. Employee related costs (continued)</b>		
<b>Executive Director: Corporate Services - M.E Mthwalo</b>		
Basic Salary	754 736	763 993
Car Allowance	334 254	329 228
Social Contributions	170 488	165 081
Cellphone Allowance	12 000	22 000
	<b>1 271 478</b>	<b>1 280 302</b>
<b>Executive Director: Community Services - P.H Tshabalala</b>		
Basic Salary	754 736	763 993
Car Allowance	242 729	277 213
Social Contributions	53 719	49 122
Housing Allowance	206 753	169 891
Cellphone Allowance	12 000	18 000
	<b>1 269 937</b>	<b>1 278 219</b>
<b>Executive Director: LED and Planning - S.J Monyaki</b>		
Basic Salary	754 736	411 907
Car Allowance	336 000	155 748
Social Contributions	-	948
Housing Allowance	165 373	68 322
Cellphone Allowance	30 000	8 000
	<b>1 286 109</b>	<b>644 925</b>

### 2020

Mr. T Leie received acting allowance as the Acting LED Director for the period July 2019 - September 2019 and November 2019 - December 2019 to the amount of R55,374.

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>32. Remuneration of councillors</b>		
Executive Mayor	862 530	969 739
Speaker	627 046	834 415
Council Whip	534 563	714 787
Councillors	17 687 140	17 624 321
	<b>19 711 279</b>	<b>20 143 262</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties.  
The Executive Mayor has one full-time bodyguard and a driver.

The Speaker has one full-time driver.  
The Speaker has the use of a Council owned vehicle for official duties.

### Executive Mayor - Cllr PJ Phooko (Deceased)

Basic Salary	108 330	579 804
Car Allowance	52 480	234 684
Social Contributions	16 288	104 250
Cellphone Allowance	11 100	44 400
	<b>188 198</b>	<b>963 138</b>

### Executive Mayor - Cllr MS Chakane

Basic Salary	502 342	446 971
Car Allowance	245 959	187 219
Social Contributions	93 704	80 888
Cellphone Allowance	40 800	40 800
	<b>882 805</b>	<b>755 878</b>

### Speaker - Cllr SV KHIBA

Basic Salary	421 598	418 241
Car Allowance	198 622	175 353
Social Contributions	79 961	76 793
Cellphone Allowance	44 400	44 400
	<b>744 581</b>	<b>714 787</b>

### Members of Mayoral Committee (MMC)

#### MMC - Council Whip : Cllr SB Tladi

Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contributions	77 615	80 016
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>718 010</b>

#### MMC - Community and Social Services : Cllr VL Mpondo

Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contributions	77 615	76 793
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>714 787</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>32. Remuneration of councillors (continued)</b>		
<b>MMC - Public Safety and Transport : Cllr ZS Magadiele</b>		
Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contributions	77 615	80 016
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>718 010</b>
<b>MMC - Community Services : Cllr MM Green</b>		
Basic Salary	100 558	418 241
Car Allowance	47 635	175 353
Social Contributions	15 084	68 153
Cellphone Allowance	10 200	44 400
	<b>173 477</b>	<b>706 147</b>
<b>MMC - Integrated Development Plan : Cllr S Mokoena</b>		
Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contributions	77 615	80 016
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>718 010</b>
<b>MMC - Local Economic Development : Cllr ZJC Manefelt</b>		
Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contributions	77 615	76 793
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>714 787</b>
<b>MMC - Spatial Development and Human Settlement : Cllr KL Kokami</b>		
Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contributions	77 615	76 793
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>714 787</b>
<b>MMC - Policy Development and Monitoring : Cllr ER Moletsane</b>		
Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contributions	77 615	76 793
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>714 787</b>
<b>MMC - Finance, Audit and Risk Management : Cllr B Rooskrans</b>		
Basic Salary	402 232	418 241
Car Allowance	190 540	175 353
Social Contribution	77 615	80 016
Cellphone Allowance	44 400	44 400
	<b>714 787</b>	<b>718 010</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>32. Remuneration of councillors (continued)</b>		
<b>MMC - Technical Services : Cllr BS Ramathibe</b>		
Basic Salary	234 635	-
Car Allowance	111 148	-
Social Contributions	45 275	-
Cellphone Allowance	25 901	-
	<b>416 959</b>	<b>-</b>
<b>MMC - Corporate Support Services : Cllr MS Mahlatsi</b>		
Basic Salary	234 635	-
Car Allowance	111 148	-
Social Contributions	45 275	-
Cellphone Allowance	25 901	-
	<b>416 959</b>	<b>-</b>
<b>MPAC Chairperson : Cllr ML Pietersen</b>		
Basic Salary	390 433	403 826
Car Allowance	184 443	172 170
Social Contribution	75 845	74 725
Cellphone Allowance	44 400	44 400
	<b>695 121</b>	<b>695 121</b>
<b>PART TIME COUNCILLORS</b>		
<b>Cllrs' AH Viljoen, JM Hattingh, ME Mohoaladi, MI Thajane, CM Dalton, MJ Lithupa, DN Nzunga, J Geldenhuis, MPE Mpele, L Van Schalkwyk, Baba JM, Boeije HME, Bolofo LD, Khasudi D, Khunyeli JM, Leboko OA, Makae HG, Mahlatsi JR, Malejoane AM, Marako TJ, Mareka J(Deceased), Mntuze ME, Ramajoe EL, Makhanda ML, Mokotedi MV, Nhlapo M, Muller ND, Pittaway SH, Serapela DJ, Maphazi BD (Deceased) Yho-Yho M.</b>		
Basic Salary	5 426 733	5 407 843
Car Allowance	2 243 763	2 282 589
Social Contributions	1 336 187	1 322 375
Cellphone Allowance	1 395 966	1 398 600
	<b>10 402 649</b>	<b>10 411 407</b>
<b>33. Debt impairment</b>		
Receivables from exchange transactions	79 096 991	95 355 182
Receivables from non-exchange transactions	1 392 333	1 725 774
	<b>80 489 324</b>	<b>97 080 956</b>
<b>34. Depreciation and amortisation</b>		
Property, plant and equipment	110 026 009	110 453 829
Intangible assets	316 703	317 409
	<b>110 342 712</b>	<b>110 771 238</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>35. Impairment loss on assets</b>		
<b>Impairments</b>		
Property, plant and equipment	143 485	1 847 301
<b>36. Finance costs</b>		
Landfill sites and quarries	1 715 687	6 715 392
Late payment of creditors	4 152 061	15 624 257
Annuity loans and finance leases	2 668 815	2 390 310
Employee benefits	4 845 422	4 940 000
	<b>13 381 985</b>	<b>29 669 959</b>
<b>37. Contracted services</b>		
Specialist Services	44 145 933	40 270 607
Other Contractors	9 107 527	11 459 659
<b>Contractors</b>	<b>53 253 460</b>	<b>51 730 266</b>
<b>Specialist Services</b>		
Security Services	42 463 374	39 111 067
Maintenance Services	1 682 559	1 159 540
	<b>44 145 933</b>	<b>40 270 607</b>
<b>Other Contractors</b>		
Professional Services	86 703	779 944
Electricity Vending Services	2 638 708	5 926 863
Water Chemicals	5 938 031	3 959 796
Other Contracted Services	257 085	601 056
Valuation Services	187 000	192 000
	<b>9 107 527</b>	<b>11 459 659</b>
<b>38. Repairs and maintenance</b>		
<b>Repairs and maintenance consists of:</b>		
Buildings	2 965 865	2 599 066
Electrical Network	18 207 415	6 241 135
Water and Sewer Network	38 944 188	36 509 357
Fleet	11 045 710	10 016 588
Roads	3 971 462	1 456 600
Other repairs and maintenance	1 530 916	2 244 451
	<b>76 665 556</b>	<b>59 067 197</b>
<b>39. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
FMG Grant Expenditure	1 237 574	4 667 192
<b>40. Bulk purchases</b>		
Electricity - Eskom	291 408 322	279 566 467
Water	34 635	499 265
	<b>291 442 957</b>	<b>280 065 732</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>41. Loss on disposal of assets</b>		
Property, plant and equipment	497 938	978 344
Investment property	-	50 000
Vacant Sites	52 887	3 933 000
	<b>550 825</b>	<b>4 961 344</b>
<b>42. General expenses</b>		
Advertising	874 063	443 511
Auditors remuneration	8 767 941	6 982 456
Bank charges	1 585 985	2 561 508
Cleaning	99 833	107 017
Legal services	2 656 479	2 415 504
Consumables stores	16 706 316	13 180 743
Entertainment	34 642	35 689
Lease rentals on operating lease	7 291 964	5 105 339
Insurance	3 631 521	2 927 972
Committee expenses	72 779	116 557
Travel and subsistence	281 475	1 446 661
Funeral expenses	238 906	42 176
Medical expenses	328 698	235 766
Fuel and oil	3 606 839	6 076 344
Postage and courier	1 286 944	1 624 768
Printing and stationery	110 939	23 347
Protective clothing	1 172 046	648 349
Subscriptions and membership fees	3 173 806	2 841 274
Telephone and fax	1 572 989	1 276 081
Water valuation adjustments	-	45 110
Commission paid	13 950 003	11 129 242
Workmen's compensation	1 237 150	1 126 894
Licences - other	1 410 919	2 580 080
Licences - vehicles	907 309	435 484
Skills development levy	2 657 532	2 476 949
Other expenses	4 254 144	3 991 054
	<b>77 911 222</b>	<b>69 875 875</b>
<b>43. Fair value adjustments</b>		
Investment property (Fair value model)	1 109 584	748 849
Investment in shares	43 076	342 930
	<b>1 152 660</b>	<b>1 091 779</b>
<b>44. Actuarial Gains/(Losses) on Employees benefits</b>		
Actuarial Gains	6 621 274	9 744 150
<b>The above balance is made up as follows:</b>		
Long Service Awards - Actuarial gains/(losses)	1 444 643	2 212 347
Post retirement medical benefit - Actuarial gains/(losses)	5 176 631	7 531 803
	<b>6 621 274</b>	<b>9 744 150</b>
<b>45. Auditors' remuneration</b>		
Fees	8 767 941	6 982 456

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>46. Cash generated from operations</b>		
Surplus / (deficit)	(52 314 751)	(157 543 928)
<b>Adjustments for:</b>		
Depreciation and amortisation	110 342 712	110 771 238
Loss on disposal of assets	550 825	4 961 344
Public contributions and donations	(5 344 095)	-
Fair value adjustments	(1 152 660)	(1 091 779)
Property, plant and equipment	672 010	14 852 664
Discounts received	(66 107)	(107 640)
Finance costs	6 561 109	11 655 392
Impairment loss on assets	143 485	1 847 301
Debt impairment	80 489 324	97 080 956
Gains on employee benefit obligation	(6 621 274)	(9 744 150)
Provision raised	(9 592 875)	(2 272 936)
Prior period adjustments	-	948 022
Receivables from exchange transactions	(24 386 488)	(28 567 221)
<b>Changes in working capital:</b>		
Inventories	(3 128 546)	4 201 921
Receivables from exchange transactions	(120 372 695)	(91 367 775)
Other receivables from non-exchange transactions	(17 289 129)	(22 723 292)
Payables from exchange transactions	116 228 590	114 055 258
Unspent conditional grants and receipts	2 868 259	5 832 452
Consumer debtors	419 014	(559 992)
Employee benefit obligation	(158 953)	(269 305)
VAT	(1 610 253)	3 086 303
	<b>76 237 502</b>	<b>55 044 833</b>

### 47. Contingencies

#### Contingent liabilities - pending claims

The municipality is a defendant against various claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

#### Contingent liabilities

Claims by individuals due to damage of property in various incidents	2 521 866	3 425 147
Claims from suppliers - contractual disputes	7 349 596	7 287 021
	<b>9 871 462</b>	<b>10 712 168</b>

#### Contingent assets

The municipality is a claimant against the Insure Guardrisk .The claims are being contested based on legal advice.

The certainty and the timing of the inflow of these assets are uncertain. The amounts disclosed below are possible inflow amounts

#### Contingent assets

Claims against Guardrisk Insurance	36 053 580	36 053 580
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# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

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### 48. Related parties

#### Key management information

Executive Mayor	1
Councillors	44
Municipal Manager	1
Section 57 Managers	5



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 49. Prior-year adjustments

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

#### Statement of financial position

##### 2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Vat receivable	18	43 406 353	49 922 170	(129 122)	93 199 399
Property, plant and equipment	11	2 049 880 753	(9 597 444)	-	2 040 283 309
Receivables from exchange transactions	6	160 744 604	106 607 624	-	267 352 227
Payables from exchange transactions	15	(537 247 347)	872 246	-	(536 375 099)
Receivables from non-exchange transactions	7	41 929 459	8 350 215	-	50 279 674
Accumulated surplus		(1 738 187 087)	(169 232 759)	-	(1 907 419 846)
Unspent conditional grants and receipts	17	(8 822 689)	1 000 000	-	(7 822 689)
Inventories	4	89 881 719	349 779	(2 599 626)	87 631 872
Investment property	10	93 227 881	11 499 974	-	104 727 855
Cash and cash equivalents	3	5 343 218	-	9 710 130	15 053 348
Investments	5	9 813 212	-	(9 710 130)	103 081
		<b>209 970 076</b>	<b>(228 195)</b>	<b>(2 728 748)</b>	<b>207 013 131</b>

#### Statement of financial performance

##### 2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Other income	29	(21 727 346)	-	(6 392 830)	(28 120 176)
Depreciation and amortisation	34	114 617 489	(3 846 251)	-	110 771 238
Contracted services	37	56 452 855	(500)	(4 722 089)	51 730 266
Repairs and maintenance	38	59 838 338	(771 141)	-	59 067 197
General expenditure	42	55 700 174	(62 094)	14 237 795	69 875 875
Debt impairment	33	91 487 353	5 593 604	-	97 080 956
Government grants & subsidies	22	(258 564 805)	(263 512)	-	(258 828 317)
Property rates	23	(71 332 893)	-	(178 978)	(71 511 871)
Loss on disposal of assets	41	4 959 769	1 575	-	4 961 344
Impairment loss on assets	35	2 270 788	(423 486)	-	1 847 301
Employee related costs	31	292 921 168	-	(183 144)	292 738 024
Remuneration of councillors	32	20 175 268	-	(32 006)	20 143 262
		<b>346 798 158</b>	<b>228 195</b>	<b>2 728 748</b>	<b>349 755 099</b>

### Errors

A number of prior period errors were corrected during the year ending 30 June 2020. The details of the retrospective prior period errors adjusted are reflected below.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

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### 49. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

**Investment property, Property, plant and equipment** - Land was incorrectly classified to Property, plant and equipment. A correction was done accordingly resulting in the increase of Investment property to the amount of R 9 995 423 and the decrease of Property, plant and equipment to the amount of (R 9 995 423).

**Investment property, Property, plant and equipment, Accumulated surplus** - Buildings was incorrectly classified to Property, plant and equipment. A correction was done accordingly resulting in the increase of Investment property to the amount of R 1 504 551 the decrease of Property, plant and equipment to the amount of (R 902 648) and the decrease Accumulated surplus to the amount of (R 601 902).

**Inventories, Property, plant and equipment** - Land was incorrectly classified to Property, plant and equipment. A correction was done accordingly resulting in the increase of Inventories to the amount of R 367 138 and the decrease of Property, plant and equipment to the amount of (R 367 138).

**Payables from exchange transactions, Contracted services** - Payables from exchange transactions were understated in the prior year. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 66 730) and the increase of Contracted services to the amount of R 66 730.

**Accumulated surplus, Payables from exchange transactions** - Cheques were cancelled in the new financial year. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 1 315 317 and the decrease of accumulated surplus to the amount of (R 1 315 317).

**Repairs and maintenance, General expenditure, Payables from exchange transactions** - Creditors in the old year was understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 399 389), the increase of Repairs and maintenance to the amount of R 365 363 and a increase of General Expenditure to the amount of R 34 026.

**Property, plant and equipment, Depreciation and amortisation** - The Depreciation on roads were overstated. A correction was done accordingly resulting in the increase in Property, plant and equipment to the amount of R 6 072 410, the decrease of Accumulated surplus to the amount of (R 2 121 885) and the decrease of depreciation and amortisation to the amount of (R3 950 524).

**Payables from exchange transactions, Vat receivable, Contracted services, Repairs and maintenance, General expenditure** - Payables from exchange transactions were overstated . A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 1 441 698, the decrease of VAT receivable to the amount of (R 188 048), the decrease of Contracted services to the amount of (R 132 685), the decrease of Repairs and maintenance (R 1 024 845) and the decrease of General expenditure to the amount of (R 96 120).

**Payables from exchange transactions, Accumulated surplus** - Payables from exchange transactions were overstated. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 320 160 and the decrease of Accumulated surplus to the amount of (R 320 160).

**Payables from exchange transactions, Accumulated surplus** - Payables from exchange transactions were understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 8 726) and the increase of Accumulated surplus to the amount of R 8 726.

**Payables from exchange transactions, Accumulated surplus** - Payables from exchange transactions were understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 1 736 029) and the increase of Accumulated surplus to the amount of R 1 736 029.

**Payables from exchange transactions, Repairs and maintenance** - Payables from exchange transactions were overstated. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 111 658 and the decrease of Repairs and maintenance to the amount of (R 111 658).

**Property, plant and equipment, Accumulated surplus** - A completed project was not transferred. A correction was done accordingly resulting in the decrease in Property, plant and equipment to the amount of (R 4 347 827) and the increase of Accumulated surplus to the amount of R 4 347 827.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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Figures in Rand	2021	2020
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### 49. Prior-year adjustments (continued)

**Property, plant and equipment, Accumulated surplus** - Property, plant and equipment was overstated. A correction was done accordingly resulting in the decrease in Property, plant and equipment to the amount of (R 486 730) and the increase of Accumulated surplus to the amount of R 486 730.

**Payables from exchange transactions, Accumulated surplus** - Payables from exchange transactions were understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 40 080) and the increase of Accumulated surplus to the amount of R 40 080.

**Inventories, Accumulated surplus** - Overstatement of fuel at Stores. A correction was done accordingly resulting in the increase of inventories to the amount of (R 10 611) and the increase of Accumulated surplus to the amount of R 10 611.

**Inventories, Accumulated surplus** - Overstatement of fuel at Stores. A correction was done accordingly resulting in the increase of inventories to the amount of (R 6 748) and the increase of Accumulated surplus to the amount of R 6 748.

**Receivables from exchange transaction, Receivables from non-exchange transactions, VAT receivable, Accumulated surplus, Debt impairment** - The provision for Debt impairment was restated. The correction was done accordingly resulting in the increase of Receivables from exchange transactions to the amount of R 106 607 623, the increase of Receivables from non-exchange transactions to the amount of R 8 350 215, the increase of VAT receivable to the amount of R 50 110 217, the increase of Accumulated surplus (R170 773 757), and the decrease of Debt impairment to the amount of R 5 593 604).

**Unspent conditional grants and receipts, Accumulated surplus, Government grants & subsidies** - Unspent conditional grants and receipts was overstated. A correction was done accordingly resulting in the decrease of Unspent conditional grants and receipts to the amount of R 1 000 000, the decrease of Accumulated surplus to the amount of (R 736 488), and the increase of Government grants & subsidies to the amount of (R 263 512).

**Property, plant and equipment, Impairment loss on assets** - The impairment loss on assets was overstated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 427 536 and the decrease of Impairment loss on assets to the amount of (R 427 536).

**Property, plant and equipment, Accumulated surplus, Depreciation and amortisation, Impairment loss on assets, Loss on disposal of asset** - The Property, plant and equipment registers were restated. A correction was done accordingly resulting in the increase of Property, plant and equipment to the amount of R 2 376, the decrease of Accumulated surplus to the amount of (R 112 274), the increase of Depreciation and amortisation to the amount of R 104 273, the increase of Impairment loss on assets to the amount of R4 050, and the increase of Loss on disposal of assets to the amount of R 1 575.

**Payables from exchange transactions, Contracted services** - A payment of Legal costs were duplicated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 65 455) and the increase of Contracted services to the amount of R 65 455).

**Receivables from exchange transaction, Receivables from non-exchange transactions, Payables from exchange transactions, Accumulated surplus** - It was identified that write offs for services were not corrected when the Debt impairment was restated resulting in duplication of Debt impairment. A correction was done accordingly resulting in the increase of Receivables from exchange transactions to the amount of R 622 946, the increase Receivables from non-exchange transactions to the amount of R 67 394, the increase of Payables from exchange transactions to the amount of (R 177), and the increase of Accumulated surplus to the amount of (R 690 163).

**Commitments disclosure** - A payment was omitted in the prior year commitment register. A correction was done accordingly resulting in a decrease of capital commitments to the amount of (R 794 011)

### Reclassifications

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### 49. Prior-year adjustments (continued)

The following reclassifications adjustment occurred:

**Cash and cash equivalents, Investments** - Short term deposits were incorrectly classified as Investments. A correction was done that resulted in the decrease of Investments to the amount of (R 9 710 130) and the increase in Cash and cash equivalents to the amount of R 9 710 0130.

**Vat receivable, General expenditure** - Consumables were incorrectly mapped to Vat receivable. A correction was done that resulted in the decrease of Vat receivable to the amount of (R 129 122) and the increase in General expenditure to the amount of R 129 122.

**Other income, General expenditure** - The gains on the provision of landfill sites and quarries were incorrectly mapped to General expenditure. A correction was done that resulted in the increase of Other income to the amount of (R 6 392 830) and the increase in General expenditure to the amount of R 6 392 830.

**Property rates, General expenditure** - Expenditures were incorrectly mapped to Property Rates. A correction was done that resulted in the increase of Property rates to the amount of (R 178 978) and the increase in General expenditure to the amount of R 178 978.

**Remuneration of councillors, General expenditure** - Officer Bearer Allowances were incorrectly mapped to Remuneration of councillors. A correction was done that resulted in the decrease of Remuneration of councillors to the amount of (R 32 006) and the increase in General expenditure to the amount of R 32 006.

**Employee related costs, General expenditure** - Daily Allowances were incorrectly mapped to Employee related costs. A correction was done that resulted in the decrease of Employee related costs to the amount of (R 183 144) and the increase in General expenditure to the amount of R 183 144.

**Inventories, General expenditure** - Inventories were overstated. A correction was done that resulted in the decrease of Inventories to the amount of (R 2 599 626) and the increase in General expenditure to the amount of R 2 599 626.

**Contracted services, General expenditure** - Payments where there was no contract was incorrectly classified to Contracted services. A correction was done that resulted in the decrease of Contracted services to the amount of (R 4 722 089) and the increase in General expenditure to the amount of R 4 722 089.

### 50. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 14, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

# Moqhaka Local Municipality

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### 50. Risk management (continued)

#### Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments

The 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 entity's reputation.

The entity manages liquidity risk through proper management of working capital, ongoing review of future commitments, capital expenditure and actual versus forecast cash flows.

Despite these measures, Moqhaka was not able to honour payments on DBSA loan.

#### Financial Liabilities

Payables from exchange transactions  
Finance Lease  
DBSA Loan

	2021	2020
Payables from exchange transactions	652 537 592	536 375 099
Finance Lease	175 105	1 228 789
DBSA Loan	28 455 459	26 336 644

The municipality is in arrears with servicing of the Eskom debt. The municipality entered into a repayment arrangement to repay the outstanding debt. Due to cashflow constraints, it has been a challenge for the municipality to keep up with the Eskom payments which can lead to the repayment plan lapsing due to non-payment.

The municipality defaulted on its DBSA loan agreement in the current financial year. The DBSA loan carries fixed interest rate at 9% per annum. In mitigating the risk of non-payment, the municipality did hold bilaterals with DBSA regarding the loan account and a debit order was signed to ensure that the loan repayments are honoured on a monthly basis, which also takes into account the arrear loan repayment so as to ensure that the loan is paid up by the redemption date.

# Moghaka Local Municipality

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### 50. Risk management (continued)

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The 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 municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties is monitored regularly.

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

Credit risk relating to trade receivables is managed in accordance with the municipalities credit control and debt collection policy. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad earned doubtful debt. Additional information relating to the analysis of consumer debtors is given in Note 6 to the annual financial statements.

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

Financial instrument	2021	2020
ABSA Bank	6 106 474	5 316 301
ABSA BANK Short-term deposit	26 598 376	9 710 130
Receivables from exchange transactions	335 512 025	267 352 227
Receivables from non-exchange transactions	63 678 864	50 279 674

### 51. Going concern

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

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 1 852 148 140 and that the municipality's total assets exceed its liabilities by R 1 852 148 140.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 51. Going concern (continued)

The municipality incurred a deficit for the current financial year of R 52 314 751 and R 157 543 928 in the previous financial year.

The current liabilities amounting to R 698 467 815 exceeds current assets of R 615 795 598 by R 82 672 217.

The receivables from exchange transactions increase from R 768 192 520 to R 920 281 613, which resulted in a 16,5 % increase as at 30 June 2021. The impairment provision also increased from R 500 840 293 to R 584 769 588 (14,4% increase) as at 30 June 2021.

The payables from exchange transactions increased from R 536 375 099 (Which also includes Eskom account of R 423 718 686), to R 652 537 592 (Which also includes Eskom account of R 541 565 770) which results in a 17,8% increase. The creditors payment period also increase from 348 days to 475 days as at 30 June 2021. The payables from exchange transactions outstanding for a period longer than 30 days amounted to R 591 609 916 (93,5%).

Operational commitments amounted to R 41 616 026 as at 30 June 2021 (2020: R 86 652 619).

The cash equivalents amounted to R 32 729 244 as 30 June 2021 (2020: R 15 053 348).

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

Despite the material uncertainties which cast a significant doubt on the municipality's ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2021, as there are no current indications that government funding will be withheld from the municipality for any reason.

### 52. Subsequent Events

There were no subsequent events during year end and to the date the annual financial statements were approved for submission that came to managements attention.

### 53. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government - SALGA

Opening balance	221 940	25 100
Current year subscription / fee	2 924 300	2 811 203
Amount paid - current year	(3 121 140)	(2 614 363)
	<b>25 100</b>	<b>221 940</b>

#### Audit fees

Opening balance	9 987 376	5 354 786
Current year subscription / fee	10 028 281	8 164 823
Interest Charged	517 228	732 558
Amount paid - current year	(1 348 405)	-
Amount paid - previous years	(9 987 376)	(4 264 791)
	<b>9 197 104</b>	<b>9 987 376</b>

#### PAYE and UIF

Opening balance	3 508 684	3 271 262
Current payroll deductions	47 258 467	42 692 391
Amount paid - current year	(47 061 514)	(42 454 969)
	<b>3 705 637</b>	<b>3 508 684</b>

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## Notes to the Annual Financial Statements

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<b>53. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Opening balance	6 391 246	5 853 015
Current payroll deductions and council contribution	80 482 383	75 037 048
Amount paid - current year	(80 118 464)	(74 498 817)
	<b>6 755 165</b>	<b>6 391 246</b>
<b>Skills Development Levy</b>		
Opening balance	205 753	194 564
Current year subscription/fee	2 656 793	2 467 046
Amount paid - current year	(2 647 708)	(2 455 857)
	<b>214 838</b>	<b>205 753</b>
<b>Reticulation losses</b>		
Estimated electricity losses suffered by the municipality for the year under review are as follows:		
Technical losses 4% (2020: 4%).		
Non-Technical losses 3.09% (2020:14.25%).		
Estimated line losses	16 442 839	15 118 996
Losses due to faulty meters, tampering or theft	12 712 404	53 872 307
	<b>29 155 243</b>	<b>68 991 303</b>
Estimated water losses suffered by the municipality for the year under review is are follows:		
Water losses 46% (2020: 35%).		
Estimated water losses due to pipe bursts	21 673 734	16 997 561
<b>Councillors' arrear consumer accounts</b>		
The following councillors had arrear accounts outstanding for more than 90 days at:		
Mareka J (Deceased)	32 837	24 862
Khunyeli JM	2 875	5 875
Khasoli MM	1 377	3 848
Geldenhuis J	2 569	-
Phooko PJ (Deceased)	-	85 980
Magadela ZS	-	907
Mpondo EM	3 673	6 073
Mofokeng TA	33 310	27 139
Mokoena S	18 194	12 854
Mntuze ME	11 060	15 012
Mokotedi MV	6 564	1 120
Ramathibe MS	9 687	3 300
Nzunga ND	17 871	23 313
	<b>140 017</b>	<b>210 283</b>



# Moghaka Local Municipality

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### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Non-compliance with the Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified

#### Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c)

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency or sole supplier.

#### Municipal Finance Management Act section 116(2)(b), (c)

The performances of all contractors were not monitored on a monthly basis

#### Municipal Finance Management Act section 65 (e)

Creditors were not paid in 30 days as required by the Act

#### Municipal Finance Management Act section 52(d),

The budget implementation and state of financial affairs submission was not in accordance with the prescribed timeframe.

### 54. Irregular expenditure

Opening balance as restated	-	-
Opening balance	634 190 864	517 429 450
Add: Irregular Expenditure - current year	101 805 649	68 887 256
Add: Audit Adjustments	35 358 038	47 874 158
<b>Closing balance</b>	<b>771 354 551</b>	<b>634 190 864</b>

#### Irregular expenditure incurred during the financial year

Irregular expenditure disclosure figure should be added indicating that Irregular expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of AFS exclusive of VAT.

Tax clearance not obtained	2 483 134	678 591
Three written quotations not invited	-	466 687
Local content instruction notes were not followed	16 826 757	16 097 084
Tender documents did not include the requirement for mandatory subcontracting	38 597 180	9 605 777
Tenders were not advertised for the required number of days	7 060 624	2 105 431
Other irregular expenditure non-compliances	72 195 992	78 745 487
Bid Adjudication committee adjudicating not in-line with regulation 29(2)	-	9 062 357
	<b>137 163 687</b>	<b>116 761 414</b>

### 55. Fruitless and wasteful expenditure

Opening balance as restated	-	-
Opening balance	35 364 172	36 357 592
Fruitless and wasteful expenditure - current year	5 386 711	16 375 744
Less: Written off / approved by Council	(11 914 659)	(17 369 164)
<b>Closing balance</b>	<b>28 836 224</b>	<b>35 364 172</b>

#### Fruitless and Wasteful Expenditure:

The fruitless and wasteful expenditure were approved by Council in terms of Council Resolution No. 209 of 31 March 2021.

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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### 55. Other liability 2 (continued)

Expenditure identified in the current year include those listed below:

Interest on arrear payments to creditors	2 602	1 313
Interest on late payment to SARS	-	59 314
Interest on loan amounts as a result of exceeding payment terms	1 179 799	742 519
Interest on late payment to AGSA	517 228	732 558
Interest on late payment to Eskom	3 687 082	14 840 040
	<b>5 386 711</b>	<b>16 375 744</b>

### 56. Unauthorised expenditure

Opening balance	270 922 434	258 907 629
Unauthorised expenditure - current year	76 693 867	158 434 685
Less: Written off / approved by Council	-	(146 419 880)
Closing balance	<b>347 616 301</b>	<b>270 922 434</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	74 321 823	142 044 799
Cash	2 372 044	16 389 886
	<b>76 693 867</b>	<b>158 434 685</b>

The unauthorised expenditure is mainly as a result of depreciation, debt impairment and employee benefit related cost.

### Unauthorised Expenditure per Department

Executive & Council	-	10 006 009
Municipal Manager	2 387 735	-
Corporate Services	2 147 511	2 503 901
Finance Services	-	14 946 528
Technical Services	72 158 621	129 322 558
Local Economic Development	-	1 655 689
	<b>76 693 867</b>	<b>158 434 685</b>

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### 57. Deviation from Supply Chain Management Regulations

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

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

During the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Description	Number of Deviations	Deviations 2021
Emergency	1	10 580
Sole Supplier	24	715 852
Urgent	45	5 885 452
	<b>70</b>	<b>6 611 884</b>

Description	Number of Deviations	Deviations 2020
Emergency	70	2 378 112
Sole Supplier	31	654 608
Urgent	84	3 391 423
	<b>185</b>	<b>6 424 143</b>

# Moqhaka Local Municipality

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<b>58. Commitments</b>		
<b>Capital commitments</b>		
<b>Approved and contracted for:</b>		
• Infrastructure	203 066 148	18 833 789
<b>Approved and not contracted for:</b>		
• Infrastructure	39 537 846	39 345 406
<b>Total capital commitments</b>		
Approved and contracted for	203 066 148	18 833 789
Approved and not contracted for	39 537 846	39 345 406
	<b>242 603 994</b>	<b>58 179 195</b>
<b>Other commitments</b>		
<b>Already contracted for but not provided for</b>		
• General expenditure	41 616 026	86 652 619
<b>Total operational commitments</b>		
Approved and contracted for	41 616 026	86 652 619
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	242 603 994	58 179 195
Authorised operational expenditure	41 616 026	86 652 619
	<b>284 220 020</b>	<b>144 831 814</b>

Infrastructure commitments approved and contracted for will be funded by grants from government. Other operational commitments approved and contracted for will be financed from the municipality's own funding.

### 59. Budget differences

#### Material differences between budget and actual amounts

Refer to the Statement of Comparison of Budget and Actual Amounts in the annual financial statements for an analysis of budget versus the actual amounts.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to Appendix E to the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to Appendix E to the annual financial statements.

### 60. Segment information

#### General information

# Moqhaka Local Municipality

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### 60. Segment information (continued)

#### Identification of segments

The municipality is organised into six functional directorates for management purposes. The directorates are Municipal Manager, Finance, Corporate Services, Community and Social Services, Technical Services, and Local Economic Development and Planning Services.

Only the Community and Social Services, Technical Services, and Local Economic Development and Planning Services directorates have been identified as reportable segments. Management monitors the operating results of these units to make decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The Municipal Manager, Finance, Corporate Services directorates are the governance and administration units of the municipality. However, they are not reportable segments; their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The three reportable segments comprise of:

- Community and social services, which include sport and recreation, public safety, refuse removal, street cleaning and cemeteries;
- Technical services which include energy sources, water management, and wastewater management; and
- Local economic development and planning services, which include planning and development, housing, and the Kroonpark resort.

Management does not monitor financial performance geographically and does not have reliable separate financial information.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Segment 1	Local economic development and planning services
Segment 2	Technical services
Segment 3	Community and social services
Segment 4	Governance & Administration (Not reportable Segment)

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### 60. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

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	Local economic development and planning services	Technical services	Community and social services	Governance & Administration (Not reportable Segment)	Total
<b>Revenue</b>					
External revenue from exchange transactions	8 303 585	480 232 651	56 746 380	4 937 791	550 220 407
External revenue from non-exchange transactions	286 873	116 618 275	19 921 515	272 068 523	408 895 186
Interest revenue	-	16 981 531	2 822 246	5 462 363	25 266 140
Revenue from transactions with other segments	-	14 382 861	532 372	-	14 915 233
<b>Total segment revenue</b>	<b>8 590 458</b>	<b>628 215 318</b>	<b>80 022 513</b>	<b>282 468 677</b>	<b>999 296 966</b>
<b>Municipality's revenue</b>					<b>999 296 966</b>
<b>Expenditure</b>					
Bulk Purchases	34 425	290 982 925	425 607	-	291 442 957
Debt impairment	-	78 417 068	1 433 272	638 983	80 489 323
Depreciation and amortisation	152 221	98 444 878	7 378 865	4 366 748	110 342 712
Employee Related Cost	21 643 603	92 141 909	96 792 128	100 988 466	311 566 106
Interest expense	-	-	6 561 109	6 820 876	13 381 985
Other operational expenses	765 583	42 579 635	53 425 387	36 325 962	133 096 567
Remuneration of Councillors	-	-	-	19 711 279	19 711 279
Repairs and maintenance	2 604 506	63 089 354	9 182 084	1 789 611	76 665 555
Expenditure from transactions with other segments	6 104 224	7 630 530	1 177 479	3 000	14 915 233
<b>Total segment expenditure</b>	<b>31 304 562</b>	<b>673 286 299</b>	<b>176 375 931</b>	<b>170 644 925</b>	<b>1 051 611 717</b>
<b>Total segmental surplus/(deficit)</b>					<b>(52 314 751)</b>

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### 61. Change in accounting estimate

Change in Remaining Useful Lives Effect on Current Year Depreciation

Category	Prior RUL Calculation Depreciation	After RUL Calculation Depreciation	Effect
Immovable Assets	R 124 524.81	R 16 219.49	R 108 305,32
Movable Assets	R2 356 317.20	R1 293 079.00	R 1 063 238,20
Community Assets	R 678 406.21	R 599 987.97	R 78 418.25

The municipality reassess the Remaining Useful Lives of all assets that meet the criteria as per the accounting policy, on an annual basis, hence the need to only show the current year effect of the change in estimate.

