

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021



* See Note

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	FS 204 - Local Municipality. Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (supplying water to the public); and Rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).
Mayoral Committee	Mosokweni FD Mofokeng KB Malindi MJ Fisher L Semonyo LS Mokoena NP Poho MS Mtshali NM
Executive Mayor	Tshongwe SL
Speaker	
Councillors	Mabasa KT Barnard JJ Burger GS Du Toit T Dywili NN Grobbelaar JJ Kobo SS (Chairperson Streetnaming) Leotlela MG Mahlaela PM Makhefu L (Chairperson Ethics) Mare AK Maseko ME Mashia VL (Council Whip) Matwa SM Mbana MT Meyer R Mofokeng TH Mohapi P Mokoena MP Molawa M (MPAC chairperson) Motaung TA Motjeane S Motloung TM Nhlapo LL Nkheloane M Nnune GB Nteso SJ Taats TJ Telane MM Tsetetsi L Van der Merwe FJ Van Heerden LJ Zwane ZJ

Metsimaholo Local Municipality

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General Information

Capacity and grading of local authority	Metsimaholo Local Municipality is a grade 9 local authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998 High Capacity FS 204
Accounting Officer	SM Molala Acting FM Mathe
Chief Financial Officer (CFO)	Acting K Lepesa (Ms) Acting A Vorster (Ms)
Registered office	Civic Centre Fichardt Street Sasolburg 1947
Business address	Civic Centre Fichardt Street Sasolburg 1947
Postal address	PO Box 60 Sasolburg 1947
Bankers	The Standard Bank of South Africa Ltd ABSA Bank Ltd
Auditors	Auditor-General of South Africa
Attorneys	Katake Attorneys Khumalo Masondo Attorneys Incorporated Lawrence Melato Incorporated Nchupetsang Incorporated Attorneys Ponoane Attorney, Notaries and Conveyancers Popela Maake Incorporated Raphela Inc. Attorneys Verveen Attorneys Lizel Venter Attorneys
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act No. 1 of 2007)
Jurisdiction	Metsimaholo Local Municipality is a local government institution and is located in the Free State Province of South Africa and is one of four municipalities under the jurisdiction of the Fezile Dabi District Municipality. Cities/Towns: Sasolburg, Oranjeville, Deneysville , Viljoensdrift, Zamdela, Refenggotso and Metsimaholo

Metsimaholo Local Municipality

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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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ASB	Accounting Standard Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
ME	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart of Accounts

Metsimaholo Local Municipality

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is responsible for the preparation of the audited financial statements in terms of section 126(1) of the Municipal Finance Management Act (Act 56 of 2003). 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 (ASB).

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

I, as the accounting officers acknowledge that I am 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 me to meet these responsibilities, I have set 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.

I am 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.

I have reviewed the municipality's cash flow forecast for the year to June 30, 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.

The municipality is wholly dependent on the community and government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021.

Mathe FM
Acting Accounting officer

Sasolburg
Tuesday, 30 November 2021

Metsimaholo 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*
Assets			
Current Assets			
Inventories	10	1,346,874	1,205,253
Fruitless and wasteful expenditure recoverable	7	18,451,758	18,451,758
Other financial assets	8	2,842,520	2,730,475
Receivables from exchange transactions	11&14	330,067,526	199,951,055
Receivables from non-exchange transactions	12&14	109,225,670	60,818,119
Cash and cash equivalents	15	48,132,763	45,738,269
		510,067,111	328,894,929
Non-Current Assets			
Investment property	3	240,181,962	253,285,309
Property, plant and equipment	4	1,160,910,342	1,225,813,747
Intangible assets	5	3,631,696	4,555,920
Heritage assets	6	4,427,968	4,427,968
Receivables from exchange transactions	11	1,845,746	45,118
		1,410,997,714	1,488,128,062
Total Assets		1,921,064,825	1,817,022,991
Liabilities			
Current Liabilities			
Finance lease obligation	16	492,810	3,287,522
Payables from exchange transactions	19	300,847,717	294,639,997
VAT payable	20	21,576,715	8,026,417
Consumer deposits	21	26,905,083	25,477,270
Employee benefit obligation	9	4,356,313	3,700,083
Unspent conditional grants and receipts	17	272,563	31,116,049
		354,451,201	366,247,338
Non-Current Liabilities			
Finance lease obligation	16	37,618	540,509
Employee benefit obligation	9	57,882,411	54,084,377
Provisions	18	86,063,312	88,594,962
		143,983,341	143,219,848
Total Liabilities		498,434,542	509,467,186
Net Assets		1,422,630,283	1,307,555,805
Accumulated surplus		1,422,630,283	1,307,555,805
Total Net Assets		1,422,630,283	1,307,555,805

* See Note 46

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	797,422,226	737,431,393
Rental of facilities and equipment	23	5,915,983	5,983,037
Interest received - consumers		31,400,438	37,983,021
Income legal costs		5,234,710	3,901,301
Sale of stands		1,112,017	225,881
Operational revenue	26	3,044,401	2,427,156
Interest received - investment	27	3,044,953	4,490,865
Gain on investment share price		112,045	-
Dividends received	27	110,662	123,203
Total revenue from exchange transactions		847,397,435	792,565,857
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	214,081,432	198,873,440
Licenses and permits (non-exchange)		9,970	56,315
Interest received -outstanding property rates		7,706,285	7,944,355
Transfer revenue			
Government grants and subsidies	30	290,516,621	237,140,395
Public contributions and donations	31	5,576,454	18,989,933
Fines, penalties and forfeits	24	4,307,207	2,507,907
Total revenue from non-exchange transactions		522,197,969	465,512,345
Total revenue		1,369,595,404	1,258,078,202
Expenditure			
Employee related costs	32	(331,981,726)	(310,602,133)
Remuneration of councillors	33	(19,379,735)	(19,379,734)
Depreciation and amortisation	34	(124,138,783)	(46,367,646)
Finance costs	35	(758,647)	(10,360,691)
Lease rentals on operating lease	25	(4,225,404)	(4,053,580)
Debt impairment	36	(122,628,601)	(230,763,368)
Bulk purchases	37	(507,585,940)	(449,401,794)
Contracted services	38	(73,801,653)	(80,221,153)
Transfers and subsidies	29	(97,715)	(175,615)
Loss on disposal of assets and liabilities		(1,763,580)	-
Loss on investment share price		-	(886,215)
Inventories losses/write-downs		(44,687)	(65,218)
Operating expenditure	39	(68,114,454)	(92,666,958)
Total expenditure		(1,254,520,925)	(1,244,944,105)
Surplus for the year		115,074,479	13,134,097

* See Note 46

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,490,992,919	1,490,992,919
Adjustments		
Prior year adjustments	(196,571,211)	(196,571,211)
Balance at 01 July 2019 as restated*	1,294,421,708	1,294,421,708
Changes in net assets		
Surplus for the year	13,134,097	13,134,097
Total changes	13,134,097	13,134,097
Restated* Balance at 01 July 2020	1,307,555,804	1,307,555,804
Changes in net assets		
Surplus for the year	115,074,479	115,074,479
Total changes	115,074,479	115,074,479
Balance at 30 June 2021	1,422,630,283	1,422,630,283

* See Note 46

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		180,149,272	162,869,990
Service charges		565,132,127	549,266,631
Grants		259,687,137	259,895,466
Interest income		3,044,953	4,490,865
Dividends received		110,662	123,203
Other receipts		23,427,834	11,552,920
VAT Receivable/Payable		13,550,298	5,145,115
		<u>1,045,102,283</u>	<u>993,344,190</u>
Payments			
Employee Related costs		(323,767,814)	(302,699,723)
Suppliers paid		(650,809,333)	(581,901,553)
Finance costs		(18,507)	(379,912)
Remuneration of Councillors		(19,379,735)	(19,379,734)
		<u>(993,975,389)</u>	<u>(904,360,922)</u>
Net cash flows from operating activities	40	<u>51,126,894</u>	<u>88,983,268</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(45,467,179)	(52,546,403)
Purchase of investment property	3	-	(1)
Proceeds on disposal of Property, Plant and Equipment	3	247,012	-
Net cash flows from investing activities		<u>(45,220,167)</u>	<u>(52,546,404)</u>
Cash flows from financing activities			
Movement in Long Term Loan		-	(1,742,712)
Finance lease payments		(3,512,233)	(3,899,955)
Net cash flows from financing activities		<u>(3,512,233)</u>	<u>(5,642,667)</u>
Net increase/(decrease) in cash and cash equivalents		2,394,494	30,794,197
Cash and cash equivalents at the beginning of the year		45,738,269	14,944,072
Cash and cash equivalents at the end of the year	15	<u>48,132,763</u>	<u>45,738,269</u>

* See Note 46

Metsimaholo 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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	10,000	(10,000)	-	-	-	
Service charges	906,475,380	(6,708,710)	899,766,670	797,422,226	(102,344,444)	56.1
Rental of facilities and equipment	6,287,810	(38,310)	6,249,500	5,915,983	(333,517)	
Interest received - consumers	30,825,000	-	30,825,000	31,400,438	575,438	
Income legal cost	4,000,000	-	4,000,000	5,234,710	1,234,710	
Sale of stands	14,109,260	-	14,109,260	1,112,017	(12,997,243)	56.3
Operational revenue	3,112,180	500,000	3,612,180	3,044,401	(567,779)	56.4
Interest received - investment	2,500,000	-	2,500,000	3,044,953	544,953	56.5
Dividends received	100,000	-	100,000	110,662	10,662	56.6
Total revenue from exchange transactions	967,419,630	(6,257,020)	961,162,610	847,285,390	(113,877,220)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	210,599,090	(2,288,280)	208,310,810	214,081,432	5,770,622	56.7
Licenses and Permits (Non-exchange)	210,930	-	210,930	9,970	(200,960)	56.2
Interest received -outstanding properties	7,900,000	-	7,900,000	7,706,285	(193,715)	
Transfer revenue						
Government grants & subsidies	325,952,000	35,747,000	361,699,000	290,516,621	(71,182,379)	56.8
Public contributions and donations	-	-	-	5,576,454	5,576,454	56.9
Fines, Penalties and Forfeits	10,420,100	-	10,420,100	4,307,207	(6,112,893)	56.10
Total revenue from non-exchange transactions	555,082,120	33,458,720	588,540,840	522,197,969	(66,342,871)	
Total revenue	1,522,501,750	27,201,700	1,549,703,450	1,369,483,359	(180,220,091)	
Expenditure						
Employee related cost	(379,696,060)	6,586,610	(373,109,450)	(331,981,726)	41,127,724	56.11
Remuneration of councillors	(21,046,860)	(359,560)	(21,406,420)	(19,379,735)	2,026,685	56.12
Depreciation and amortisation	(87,906,350)	42,800,000	(45,106,350)	(124,138,783)	(79,032,433)	56.13
Finance costs	(5,176,390)	(1,169,050)	(6,345,440)	(758,647)	5,586,793	56.15
Lease rentals on operating lease	(8,354,070)	(1,164,450)	(9,518,520)	(4,225,404)	5,293,116	56.16
Debt Impairment	(168,964,430)	(86,492,250)	(255,456,680)	(122,628,601)	132,828,079	56.17
Bulk purchases	(526,825,660)	-	(526,825,660)	(507,585,940)	19,239,720	56.18
Contracted Services	(115,319,920)	9,935,510	(105,384,410)	(73,801,653)	31,582,757	56.14
Transfers and Subsidies	(340,000)	(240,000)	(580,000)	(97,715)	482,285	56.19
Operating Expenditure	(90,905,630)	3,527,290	(87,378,340)	(68,114,454)	19,263,886	56.14;56.20; 56.21
Total expenditure	(1,404,535,370)	(26,575,900)	(1,431,111,270)	(1,252,712,658)	178,398,612	
Operating surplus	117,966,380	625,800	118,592,180	116,770,701	(1,821,479)	

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Loss on disposal of assets and liabilities	-	-	-	(1,763,580)	(1,763,580)	
Gain on investment share price	-	-	-	112,045	112,045	
Inventories losses/write-downs	-	-	-	(44,687)	(44,687)	
	-	-	-	(1,696,222)	(1,696,222)	
Surplus for the year	117,966,380	625,800	118,592,180	115,074,479	(3,517,701)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	117,966,380	625,800	118,592,180	115,074,479	(3,517,701)	

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2,022,434	(802,300)	1,220,134	1,346,874	126,740	56.22
Fruitless and wasteful expenditure recoverable	18,451,758	-	18,451,758	18,451,758	-	
Other financial assets	3,930,357	(1,199,890)	2,730,467	2,842,520	112,053	
Receivables from exchange transactions	189,309,296	63,949,774	253,259,070	330,067,526	76,808,456	56.23
Receivables from non-exchange transactions	140,372,063	(91,229,113)	49,142,950	109,225,670	60,082,720	56.23
Cash and cash equivalents	13,441,091	2,649,870	16,090,961	48,132,763	32,041,802	56.25
	367,526,999	(26,631,659)	340,895,340	510,067,111	169,171,771	
Non-Current Assets						
Investment property	292,893,837	150,979,960	443,873,797	240,181,962	(203,691,835)	56.24
Property, plant and equipment	1,730,097,373	(310,142,635)	1,419,954,738	1,160,910,342	(259,044,396)	56.24
Intangible assets	(1,813,418)	4,851,570	3,038,152	3,631,696	593,544	56.24
Heritage assets	560,999	3,845,990	4,406,989	4,427,968	20,979	56.24
Receivables from exchange transactions	1,663,807	(1,663,804)	3	1,845,746	1,845,743	56.23
	2,023,402,598	(152,128,919)	1,871,273,679	1,410,997,714	(460,275,965)	
Total Assets	2,390,929,597	(178,760,578)	2,212,169,019	1,921,064,825	(291,104,194)	
Liabilities						
Current Liabilities						
Short term portion - borrowing	4,374,892	727,668	5,102,560	-	(5,102,560)	56.29
Finance lease obligation	7,462,810	4,991,052	12,453,862	492,810	(11,961,052)	56.30
Payables from exchange transactions	309,169,226	(91,008,570)	218,160,656	300,847,717	82,687,061	56.26
VAT payable	73,782,266	29,169,913	102,952,179	21,576,715	(81,375,464)	56.28
Consumer deposits	31,487,770	(5,410,500)	26,077,270	26,905,083	827,813	
Employee benefit obligation	42,680,706	(38,980,626)	3,700,080	4,356,313	656,233	
Unspent conditional grants and receipts	784,040	(503,229)	280,811	272,563	(8,248)	56.27
	469,741,710	(101,014,292)	368,727,418	354,451,201	(14,276,217)	
Non-Current Liabilities						
Finance lease obligation	8,817,100	(10)	8,817,090	37,618	(8,779,472)	56.30
Employee benefit obligation	18,759,000	40,725,380	59,484,380	57,882,411	(1,601,969)	
Provisions	89,661,553	1,458,757	91,120,310	86,063,312	(5,056,998)	
Borrowing	47,606,440	(9)	47,606,431	-	(47,606,431)	56.29
	164,844,093	42,184,118	207,028,211	143,983,341	(63,044,870)	
Total Liabilities	634,585,803	(58,830,174)	575,755,629	498,434,542	(77,321,087)	
Net Assets	1,756,343,794	(119,930,404)	1,636,413,390	1,422,630,283	(213,783,107)	

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,756,343,794	(119,930,404)	1,636,413,390	1,422,630,283	(213,783,107)	56.31

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	210,599,090	(2,288,280)	208,310,810	-		208,310,810	214,081,432		5,770,622	103 %	102 %
Service charges	906,475,380	(6,708,710)	899,766,670	-		899,766,670	797,422,226		(102,344,444)	89 %	88 %
Investment revenue	2,600,000	-	2,600,000	-		2,600,000	3,155,615		555,615	121 %	121 %
Transfers recognised - operational	209,982,250	33,004,880	242,987,130	-		242,987,130	241,406,620		(1,580,510)	99 %	115 %
Other own revenue	76,875,280	451,690	77,326,970	-		77,326,970	62,473,786		(14,853,184)	81 %	81 %
Total revenue (excluding capital transfers and contributions)	1,406,532,000	24,459,580	1,430,991,580	-		1,430,991,580	1,318,539,679		(112,451,901)	92 %	94 %
Employee costs	(379,696,060)	6,586,610	(373,109,450)	-	-	(373,109,450)	(331,981,726)	-	41,127,724	89 %	87 %
Remuneration of councillors	(21,046,860)	(359,560)	(21,406,420)	-	-	(21,406,420)	(19,379,735)	-	2,026,685	91 %	92 %
Debt impairment	(168,964,430)	(86,492,250)	(255,456,680)			(255,456,680)	(122,628,601)	-	132,828,079	48 %	73 %
Depreciation and asset impairment	(87,906,350)	42,800,000	(45,106,350)			(45,106,350)	(124,138,783)	-	(79,032,433)	275 %	141 %
Finance charges	(5,176,390)	(1,169,050)	(6,345,440)	-	-	(6,345,440)	(758,647)	-	5,586,793	12 %	15 %
Materials and bulk purchases	(526,825,660)	-	(526,825,660)	-	-	(526,825,660)	(507,585,940)	-	19,239,720	96 %	96 %
Transfers and grants	(340,000)	(240,000)	(580,000)	-	-	(580,000)	(97,715)	-	482,285	17 %	29 %
Other expenditure	(214,579,620)	12,298,350	(202,281,270)	-	-	(202,281,270)	(151,580,508)	-	50,700,762	75 %	71 %
Total expenditure	(1,404,535,370)	(26,575,900)	(1,431,111,270)	-	-	(1,431,111,270)	(1,258,151,655)	-	172,959,615	88 %	90 %
Surplus/(Deficit)	1,996,630	(2,116,320)	(119,690)	-		(119,690)	60,388,024		60,507,714	(50,454)%	3,024 %

Metsimaholo Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	115,969,750	2,742,120	118,711,870	-		118,711,870	49,110,001		(69,601,869)	41 %	42 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	5,576,454		5,576,454	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	117,966,380	625,800	118,592,180	-		118,592,180	115,074,479		(3,517,701)	97 %	98 %
Surplus/(Deficit) for the year	117,966,380	625,800	118,592,180	-		118,592,180	115,074,479		(3,517,701)	97 %	98 %

Metsimaholo 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. They are presented in South African Rand. All figures are rounded to the nearest Rand.

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

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

These accounting policies are consistent with the previous period.

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

1.1 Going concern assumption

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

The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the going concern assumption.

1.2 Materiality

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

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

1.3 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:

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Loans and receivables

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

The impairment for loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and poor payment history/default of payments are all considered indicators of impairment.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

The write down is included in the operation surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the selling price assumption may change, which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

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

Value in use of non-cash-generating asset

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

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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 post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non-exchange receivables.

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non-exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Pre-paid electricity

Pre-paid electricity is only recognised as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Budget Information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements

Water Inventory

The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.4 Investment property

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

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

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.

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.

Cost model

Subsequent to initial measurement Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

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

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The measurement and recognition of impairment loss is indicated in accounting policy 1.13 and 1.14.

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:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	50 years
Plant and machinery	Straight-line	3-15 years
Furniture and office equipment	Straight-line	3-30 years
Motor vehicles	Straight-line	3-20 years
IT equipment	Straight-line	3-10 years
Infrastructure	Straight-line	3-50 years
Community	Straight-line	50 years

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

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

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual audited financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted.

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

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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Accounting Policies

1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential. The municipality has classified computer software as 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.

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

Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The municipality does not have internally generated Intangible Assets.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years

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. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality has classified a site of historical significance and council regalia as heritage assets.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Heritage assets (continued)

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.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 6 - Heritage assets.

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

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

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.

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. The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.9 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

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Accounting Policies

1.9 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Metsimaholo Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

The municipality 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
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Taxes and transfers payable	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality 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, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

The municipality 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

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

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1.9 Financial instruments (continued)

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, the 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.

Discounting of short-term receivables and payables

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
combined instrument that is required to be measured at fair value; or
an investment in a residual interest that meets the requirements for reclassification.

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 uncollectibility of financial assets

The municipality 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 (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced 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 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 municipality derecognises financial assets using trade date accounting.

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Accounting Policies

1.9 Financial instruments (continued)

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

The municipality 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.

1.10 Statutory receivables

Identification

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

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

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1.10 Statutory receivables (continued)

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

- 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.

1.11 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 - 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. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability

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

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

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

Operating leases - lessee

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

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

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

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset for distribution if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

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 or current replacement cost.

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Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

The cost of inventories 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.

Water Inventory

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

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.13 Fruitless and Wasteful expenditure recoverable

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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Fruitless and wasteful expenditure

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. All other assets are classified as non-cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

- the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

Identification

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Metsimaholo Local Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

- consideration is given to the nature of the asset, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

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Accounting Policies

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.16 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months' consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.17 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

The municipality accounts for VAT on the payment basis.

1.18 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

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

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

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1.18 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

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

Metsimaholo Local Municipality

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Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Metsimaholo Local Municipality

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Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability, the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits 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. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees

The municipality's liability is based on an actuarial valuation. The projected Unit Credit Method is used to determine the present value of the obligation.

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Metsimaholo Local Municipality

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Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.
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The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to leases. Refer to notes on Finance lease obligation and Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements.

The municipality discloses capital commitments (Property Plant and Equipment, Investment properties, Intangible assets and Heritage assets) in the financial statements, as well as future minimum lease payments for each of the following periods if applicable:

- Within one year;
- In second to fifth year inclusive; and
- Later than five years

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

Metsimaholo Local Municipality

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Accounting Policies

1.21 Revenue from exchange transactions (continued)

Sale of goods

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Rendering of services

Service charges are levied in terms of approved tariffs.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Revenue arising from application of the approved tariff of charges is recognised when the relevant services is rendered by applying the relevant published tariff.

Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Rentals Received

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

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 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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.21 Revenue from exchange transactions (continued)

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 methods

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

1.22 Revenue from non-exchange transactions

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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.

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.

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

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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Measurement

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

Property Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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

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.

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Fines

Fines constitute both spotfines and summonses.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

Government Grants and Receipts

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

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

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

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- *Unspent conditional grants are recognised as a liability when the grant is received.

- *When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.

- *The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

- *Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

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

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

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

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Borrowing costs

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

Metsimaholo Local Municipality

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Accounting Policies

1.24 Borrowing costs (continued)

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

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.26 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of classification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

Refer to note 44 - Comparative figures.

1.27 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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Unauthorised expenditure..

1.28 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.

For details on fruitless and wasteful expenditure, refer to note 51 - Fruitless and wasteful expenditure..

1.29 Irregular expenditure

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

Irregular expenditure 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.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 52 - Irregular expenditure.

Metsimaholo Local Municipality

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Accounting Policies

1.30 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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.

1.31 Budget information

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.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budget and actual amount is material.

1.32 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Metsimaholo Local Municipality

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Accounting Policies

1.32 Related parties (continued)

Related parties included key management personnel, close members of family of key management and councillors. Key management personnel included all heads of departments or members of the municipal council of the municipality. The Council together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control activities of the municipality to manage the resources and the overall achievement of municipal objectives.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

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

1.33 Events after reporting date

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

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

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

The municipality does not adjusted the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

The municipality has considered the impact of COVID -19 on its operations during the year and its future operations.

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

1.34 Accumulated surplus/(deficit)

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

1.35 Grants in Aid

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.35 Grants in Aid (continued)

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

Metsimaholo Local Municipality

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2021

2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline on the Application of Materiality to Financial Statements	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none">IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely there will be a material impact

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3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	268,711,328	(28,529,366)	240,181,962	280,790,828	(27,505,519)	253,285,309

Reconciliation of investment property - 2021

	Opening balance	Transfers	Depreciation	Total
Land and buildings	253,285,309	(12,079,500)	(1,023,847)	240,181,962

Reconciliation of investment property - 2020

	Opening balance	Transfers	Depreciation	Total
Land and buildings	254,343,393	2	(1,058,086)	253,285,309

Pledged as security

No Investment property was pledged as security:

Rental income generated

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.

During the year, rental income of R5 731 262 (2020: R5 944 313) was generated from investment property (primarily hostels).

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
3. Investment property (continued)		
Maintenance of investment property		
The following maintenance costs were incurred:		
Corrective Maintenance incurred on		
Expenditure during the year	-	10,000

Maintenance is low due to cash constraints and necessary cost cutting.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand

4. 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 and Buildings	64,335,205	(29,126,620)	35,208,585	52,763,371	(20,405,586)	32,357,785
Leasehold property	11,017,345	(5,130,976)	5,886,369	11,432,825	(4,241,453)	7,191,372
Plant and machinery	53,543,892	(32,108,610)	21,435,282	53,444,441	(29,931,841)	23,512,600
Furniture and fixtures	6,897,510	(4,929,439)	1,968,071	8,838,595	(6,170,039)	2,668,556
Motor vehicles	21,787,293	(12,708,145)	9,079,148	21,490,671	(11,968,854)	9,521,817
IT equipment	16,571,956	(13,064,875)	3,507,081	19,832,770	(15,185,222)	4,647,548
Infrastructure	2,382,597,284	(1,435,000,455)	947,596,829	2,344,637,064	(1,348,185,922)	996,451,142
Community	183,224,080	(46,995,103)	136,228,977	178,272,508	(28,809,581)	149,462,927
Total	2,739,974,565	(1,579,064,223)	1,160,910,342	2,690,712,245	(1,464,898,498)	1,225,813,747

Metsimaholo Local Municipality

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Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Donations	Disposals	Transfers received	Transfers from Investment property	Depreciation	Total
Land and Buildings	32,357,785	-	-	-	-	11,556,013	(8,705,213)	35,208,585
Leased assets	7,191,372	-	-	(204,278)	-	-	(1,100,725)	5,886,369
Plant and machinery	23,512,600	2,149,227	202,371	(204,650)	-	-	(4,224,266)	21,435,282
Furniture and fixtures	2,668,556	1,399	-	(153,617)	4	-	(548,271)	1,968,071
Motor vehicles	9,521,817	1,603,358	-	(600,560)	-	-	(1,445,467)	9,079,148
IT equipment	4,647,548	350,246	-	(321,998)	1	-	(1,168,716)	3,507,081
Infrastructure	996,451,142	37,960,225	-	-	(1,285)	-	(86,813,253)	947,596,829
Community assets	149,462,927	3,402,724	1,548,849	-	-	-	(18,185,523)	136,228,977
	1,225,813,747	45,467,179	1,751,220	(1,485,103)	(1,280)	11,556,013	(122,191,434)	1,160,910,342

Metsimaholo Local Municipality

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Donations	WIP Additions	Depreciation	Total
Land and Buildings	33,573,220	-	-	-	(1,215,435)	32,357,785
Leasehold property	8,292,096	-	-	-	(1,100,724)	7,191,372
Plant and machinery	23,337,510	853,897	-	-	(678,807)	23,512,600
Furniture and fixtures	2,375,235	174,239	-	-	119,082	2,668,556
Motor vehicles	8,662,260	-	601,069	4	258,484	9,521,817
IT equipment	3,275,114	433,895	-	-	938,539	4,647,548
Infrastructure	981,843,219	1,036,148	5,818,717	45,551,043	(37,797,985)	996,451,142
Community	150,958,955	-	206,218	4,497,190	(6,199,436)	149,462,927
	1,212,317,609	2,498,179	6,626,004	50,048,237	(45,676,282)	1,225,813,747

Pledged as security

None of the above property, plant and equipment have been pledged as security, other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note: 16

Transport assets	5,443,435	7,895,610
Office equipment	442,932	581,188
Assets subject to finance leases (net carrying value)	5,886,366	8,650,079

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2021 2020

4. Property, plant and equipment (continued)

Compensation received for losses on property, plant and equipment – included in operating surplus

Motor vehicles	49,145	-
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Compensation was received from the municipality's insurers for the loss of Property, Plan and Equipment lost during the year.

Vehicles written off

Historical cost	415,479	-
Accumulated depreciation	(211,202)	-
Payment from Insurance	(49,145)	-
	155,132	-

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	289,780,578	5,629,411	295,409,989
Additions/capital expenditure	37,568,086	3,388,724	40,956,810
	327,348,664	9,018,135	336,366,799

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	358,701,472	1,132,221	227,500	360,061,193
Additions/capital expenditure	35,284,050	4,497,190	-	39,781,240
Transferred to completed items	(104,204,944)	-	(227,500)	(104,432,444)
	289,780,578	5,629,411	-	295,409,989

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Figures in Rand	2021	2020
4. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Electrical Infrastructure -Contracted Services	203,169	2,308,218
Electrical Infrastructure -Inventory	3,118,571	7,499,233
Roads Infrastructure - Inventory	3,304,167	6,772,514
Storm water Inventory	49,783	-
Sanitation Infrastructure - Contracted Services	3,192,765	2,189,553
Sanitation Infrastructure Inventory	338,617	12,173,249
Water Supply Infrastructure Contracted Services	536,060	-
Water Supply Infrastructure Inventory	694,920	674,392
Community Assets Inventory	-	455,000
Furniture and Office Equipment Contracted services	1,364,734	566,609
Furniture and Office Equipment Inventory	419,511	250,857
Furniture and Office Equipment other operational costs	4,276,927	3,115,628
Machinery and Equipment Contracted Services	24,354	-
Machinery and Equipment Inventory	32,430	5,372,146
Other Assets - Buildings Contracted Services	98,222	194,527
Other Assets Buildings Inventory	183,612	229,342
Transport Assets -Contracted Services	189,513	1,363,578
Transport Assets Inventory	3,217,854	3,211,910
	21,245,209	46,376,756

Delayed projects

Gortin Sanitation Phase 4

Contractor went into liquidation and could not complete project. New contractors were brought in to complete the remaining works

Refengkgotso Sports Complex

Project went under investigation due to high expenditure and low output. Delay also due to National Lockdown due to COVID 19 pandemic. Additional scope of work. The contractor experienced cash flow challenges. Contractor was advised to cede some portions of work to sub-contractor.

Refengkgotso WasteWater treatment Plant

Contractor terminated project, however re-negotiation talks are in place to re- start the project

Zamdela Roads ward 08

Additional funding was applied to complete the project. Project was completed however not finalised contractually

Oranjeville Water treatment work

Poor performance by contractor which lead to site suspensions. Contractor terminated the project. A company was appointed through deviation to continue with some parts of the project.

Delayed projects

Gortin Sanitation Phase 4	-	99,510,610
Refengkgotso Sports Complex	9,220,057	5,109,999
Refengkgotso WasteWater treatment Plant	82,526,149	82,526,149
Oranjeville Water treatment work	11,918,430	6,150,720
	103,664,636	193,297,478

Maintenance of property, plant and equipment

Metsimaholo Local Municipality

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Figures in Rand	2021	2020
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4. Property, plant and equipment (continued)

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.

Metsimaholo Local Municipality

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5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	20,233,605	(16,601,909)	3,631,696	21,899,467	(17,343,547)	4,555,920

Reconciliation of intangible assets - 2021

	Opening balance	Transfers	Amortisation	Total
Computer software	4,555,920	(722)	(923,502)	3,631,696

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	4,189,199	366,721	4,555,920

Pledged as security

No intangible assets were pledged as security

Repair and maintenance

Intangible assets - expenditure

1,096,429 996,754

6. Heritage assets

Metsimaholo Local Municipality

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Figures in Rand

6. Heritage assets (continued)

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	561,000	-	561,000	561,000	-	561,000
Recreational parks	3,866,967	-	3,866,967	3,866,967	-	3,866,967
Mayoral chain	1	-	1	1	-	1
Total	4,427,968	-	4,427,968	4,427,968	-	4,427,968

Reconciliation of heritage assets 2021

	Opening balance	Transfers received	Total
Historical buildings	561,000	-	561,000
Recreational parks	3,866,968	(1)	3,866,967
Mayoral Chain	1	-	1
	4,427,969	(1)	4,427,968

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical buildings	561,000	561,000
Recreational parks	3,866,967	3,866,967
Mayoral Chain	1	1
	4,427,968	4,427,968

Pledged as security

No heritage assets were pledged as security

Metsimaholo Local Municipality

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7. Fruitless and wasteful expenditure recoverable		
Fruitless and wasteful expenditure recoverable		
Sport stadium	18,451,758	18,451,758
Fruitless expenditure: This amount of R18 451 758 (2020: R18 451 758) relates to expenditure on a sport ground, where the value was paid to the supplier, but the related work was not performed. The amount was paid in 2018, however, the investigation into the transaction was not sufficiently advanced to determine how to classify and disclose it.		
8. Other financial assets		
Designated at fair value		
Listed shares	2,829,710	2,717,665
At amortised cost		
Investment - ceded	12,810	12,810
Total other financial assets	2,842,520	2,730,475
Current assets		
At fair value	2,829,710	2,717,665
At amortised cost	12,810	12,810
	2,842,520	2,730,475
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Sanlam Limited shares Valued with reference to the ruling price of shares (being listed on a public exchange) at year end]	2,829,710	2,717,665
Fair value hierarchy of financial assets at fair value		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. The municipality received shares in Sanlam in a prior year.		
Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates. Listed shares are measured at fair value using quoted market prices.		
The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions..		
Level 1		
Sanlam Limited Shares	2,829,710	2,717,665

Metsimaholo Local Municipality

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8. Other financial assets (continued)

Financial assets at amortised cost

Nominal value of financial assets at amortised cost

Investment ceded	12,810	12,810
<p>This investment was ceded to FNB as collateral for housing loan of employee. The investment may be held in perpetuity, and is invested in a financial institution with strong credit rating (First National Bank Pty Ltd), therefore this is not considered impaired.</p>		

9. Employee benefit obligations

Defined benefit plan

Reconciliation of employee benefits obligation - 2021	Opening Balance	Additions	Total	Less current portion	Non current portion
Employee benefit cost medical	42,321,460	4,050,264	46,371,724	(3,200,313)	43,171,411
Employee benefits long service awards	15,463,000	404,000	15,867,000	(1,156,000)	14,711,000
	57,784,460	4,454,264	62,238,724	(4,356,313)	57,882,411

Reconciliation of employee benefits obligation - 2020	Opening Balance	Additions	Total	Less current portions	Non current portion
Employee benefit cost medical	39,122,000	3,199,460	42,321,460	(1,951,083)	40,370,377
Employee benefits long service awards	15,559,000	(96,000)	15,463,000	(1,749,000)	13,714,000
	54,681,000	3,103,460	57,784,460	(3,700,083)	54,084,377

Metsimaholo Local Municipality

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Figures in Rand	2021	2020
9. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(57,784,460)	(54,681,000)
Current service cost	(2,497,144)	(1,991,000)
Interest cost	(5,264,437)	(5,804,000)
Benefits paid	4,052,164	4,565,000
Actuarial loss/(gain)	(744,847)	126,540
	(62,238,724)	(57,784,460)

Employee benefit obligation - medical : Continued Medical aid membership

Municipal employees contribute to accredited medical schemes

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

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

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

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2021 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa

The Projected Unit Credit Method has been used to value the liabilities

Accrued liability		
In - service members	24,119,789	18,534,916
Continuation member	22,251,935	23,786,544
All members		
Total liability	46,371,724	4,232,146

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

History of liabilities and assets

Present value of accrued liability	46 371 724	42,321,460
Plan assets	0	0

The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Liabilities: (gain) / loss	1 710 847	1,295,460
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Metsimaholo Local Municipality

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Figures in Rand	2021	2020
9. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	42,321,460	39,122,000
Current service cost	756,144	536,000
Interest cost	3,886,437	3,786,000
Benefits paid	(2,303,164)	(2,418,000)
Actuarial loss/(Gains)	1,710,847	1,295,460
	46,371,724	42,321,460

Metsimaholo Local Municipality

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Figures in Rand	2021	2020
9. Employee benefit obligations (continued)		
Best estimate of benefits payments expected in next annual period 2021/2022 (comparatives are for 2020/2021)		
Opening accrued liability	46,371,724	42,321,460
Current service cost	934,485	756,144
Interest cost	4,100,853	3,886,437
Actuarial (gains) losses	-	1,710,847
Benefits vesting	(3,200,313)	(2,303,164)
Total annual expense	48,206,749	46,371,724

History of liabilities (R millions)	30/6/2021	30/06/2020	30/06/2019	30/06/2018	30/06/2017
Accrued liability	46 371	42.321	39.122	33.994	27.294

Key financial assumptions

The table summarises the financial assumption used.

Discount rate:	Yield Curve
Consumer price index (CPI)	Difference between nominal and yield curves
Medical cost inflation	CPI + 1%
Net effective discount rate	Relationship between discount rate and health care inflation rate

Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2019/20 and 2020/21

Average retirement age	63
Proportion assumed married at retirement	90%
Mortality during employment	SA 85-90
Mortality post-retirement PA	90 ultimate
Number of in-service members	72
Number of continuation members (pensioners)	50

Summarised results of the sensitivity analysis

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Valuation Assumption
Central assumptions		46 371 724
Mortality rate	-20%	49 614 429
	+20%	43 726 377

Metsimaholo Local Municipality

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Figures in Rand		2021	2020
9. Employee benefit obligations (continued)			
Medical aid inflation	-1%	41 420 958	
Medical aid inflation	+1%	52 206 478	
Long service awards			
Balance at beginning of year		15,463,000	15,559,000
Current service cost		1,741,000	1,455,000
Interest cost		1,378,000	2,018,000
Actuarial (gain)/loss		(966,000)	(1,422,000)
Employer Benefits payments.		(1,749,000)	(2,147,000)
		15,867,000	15,463,000

Metsimaholo Local Municipality

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Figures in Rand	2021	2020
9. Employee benefit obligations (continued)		
Best estimate of benefits payments expected in next annual period 2021/2022(comparative figures 2020/2021)		
Opening balance	15,867,000	15,463,000
Interest cost	1,400,000	1,378,000
Actuarial gains (losses)	-	(966,000)
Service cost	1,697,000	1,741,000
Employer Benefits paid	(1,156,000)	(1,749,000)
Total actual expense	17,808,000	15,867,000

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Total
Number of eligible employees	725
Average annual salary	240 486
Average past service(years)	9.78

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	2.0%	$(5/250 + 2\%) \times \text{annual salary}$
10	3.0%	$(10/250 + 3\%) \times \text{annual salary}$
15	4.0%	$(15/250 + 4\%) \times \text{annual salary}$
20	5.0%	$(15/250 + 5\%) \times \text{annual salary}$
25,30,35,40,45	6.0%	$(15/250 + 6\%) \times \text{annual salary}$

725 Employees benefit from this policy

Special leave pay

35 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

399 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2021 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa.

The Projected Unit Credit Method has been used to value the liabilities

Metsimaholo Local Municipality

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9. Employee benefit obligations (continued)

Key financial assumptions

The table summarised the financial assumptions used.:

Discount rate:	Yield Curve
Consumer price index (CPI)	Difference between nominal and yield curves
Salary inflation	CPI + 1%
Net effective discount rate	Yield Curve based

Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2019/20 and 2020/21.

The salaries used in the valuation include an assumed increase on 1 July 2021 of 4%. The next salary increase was assumed to take place in July 2021

Average retirement age	63
Mortality during employment	SA 85-90

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Valuation Assumption
Central assumptions		15 867 000
Salary inflation	-1%	14 916 000
	+1%	16 848 000

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6.18% higher than that shown.

Other assumptions

History of liabilities (R millions):

	2021	2020	2019	2018	2017
Accrued Liability	15,867	15,463	15,559	15,135	13,299

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10. Inventories		
Water (purified water in reservoirs and pipes)	564,551	682,314
Fuel (diesel, petrol)	311,159	94,857
Consumable: Stores and materials	471,164	428,082
	1,346,874	1,205,253
After the inventory count, obsolete and/or lost Inventories was written off and recognised as an expense the financial year.	124,408	41,802
Inventories recognised as an expense during the year	3,060,082	2,600,932
Inventory pledged as security		
During the year no inventory was pledged as security.		
11. Receivables from exchange transactions		
Prepayments	6,344,928	6,884,225
RD Cheques	20,199	20,199
Control, Clearing and Interface Accounts	1,379,534	6,852,559
Merchandise, job and control	467,648	1,280,388
Other debtors - Computer equipment not delivered	47,280	-
Electricity	88,600,318	37,508,476
Water	180,191,883	118,414,222
Sewerage	13,354,358	6,889,071
Refuse	14,848,793	8,362,705
Other service charges	24,812,585	13,739,210
Sale of land	1,845,746	45,118
	331,913,272	199,996,173
Non-current assets	1,845,746	45,118
Current assets	330,067,526	199,951,055
	331,913,272	199,996,173

Trade and other receivables pledged as security

No receivables from exchange transactions were pledged as security

Credit quality of trade and other receivables

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

Trade receivables

Included in Service Debtors is an amount of R29 689 436 (2020: R 22 924 619) in respect of the consumption of metered services not billed as at 30 June 2021.

The municipality receives applications for basic services that it processes. Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

Receivables from government are not subject to impairment either.

Metsimaholo Local Municipality

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11. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2021, - (2020: R215 103 954) were past due but not impaired.

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

1 month past due	18,405,062	10,338,743
2 months past due	12,340,240	6,458,692
3 months past due	216,676,957	137,637,991

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R1 538 586 942 - (2020: R1 402 424 286) were impaired and provided for.

The amount of the provision was (119,814,819) as of 30 June 2021 (2020: 199,863,755).

The ageing of these receivables(gross) is as follows:

Current	109,636,303	46,997,937
30 - 60 Days	52,661,743	29,133,850
60 - 90 Days	34,585,508	25,099,578
91 Days and over	1,665,357,071	1,486,151,723

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(1,402,424,285)	(1,177,022,953)
Provision for impairment	(119,814,819)	(199,863,755)
Amounts written off as uncollectible	-	2,586,000
Movement in VAT due to impairment	(16,347,838)	(28,123,577)
	<u>(1,538,586,942)</u>	<u>(1,402,424,285)</u>

12. Receivables from non-exchange transaction

Traffic fines	309,504	390,080
Deposits	2,673,535	2,552,824
Receivables	1,720,590	1,706,632
Sundry receivables RBIG	10,328,550	10,328,550
Rates	94,193,491	45,840,033
	<u>109,225,670</u>	<u>60,818,119</u>

Rates, Traffic fines and Government grants and subsidies disclosed under Receivables from Non-exchanges transactions are Statutory Receivables in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 13 for disclosure notes relating to Statutory receivables.

Receivables from non-exchange transaction pledged as security

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

None of the Receivables from non - exchange transactions have been pledged as security for the municipality's financial liabilities.

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

Metsimaholo Local Municipality

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12. Receivables from non-exchange transaction (continued)

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transaction

Fair value of receivables from non-exchange transactions

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

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination

Receivables from non - exchange past due but not impaired

Receivables relating to traffic fines are impaired according to a recoverability rate and, therefore, it is not possible to split the ageing between impaired and unimpaired.

Receivables from non-exchange transactions (Rates), where the debtor has nothing outstanding for more than 2 months past due are not considered to be impaired receivables from government are not subject to impairment either . At 30 June 2021, R94 193 491 - (2020: 45,840,033) were past due but not impaired.

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

1 month past due	5,795,199	4,304,997
2 months past due	3,808,131	2,369,872
3 months past due	71,526,120	29,383,583

Receivables from non -exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of 128 860 165- (2020: 141,416,745) were impaired and provided for.

The amount of the provision decrease was 12,556,580 as of 30 June 2021 (2020: 29,064,386).

The ageing of these property rates (gross) is as follows:

Current	15,628,634	13,392,572
30 - 60 Days	8,343,225	7,977,058
60 - 90 Days	6,327,980	6,076,650
91 days and over	192,753,817	160,213,877

Reconciliation of allowance for impairment of receivables from non-exchange transactions

Opening balance	(155,147,422)	(125,007,765)
Allowance for impairment traffic fines	(1,453,588)	(1,838,217)
Allowance for impairment rates	12,556,978	(29,061,396)
Amounts written off as uncollectible Rates	-	759,956
	(144,044,032)	(155,147,422)

The municipality does not hold any collateral as security.

Metsimaholo Local Municipality

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13. Statutory receivables

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

In accordance with the principles of GRAP 108, statutory receivables of the municipality is classified as follows:

Statutory receivables balances

Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions

Property rates	94,193,491	45,840,033
Traffic Fines	309,504	390,080
Conditional Grant RBIG	10,328,550	10,328,550
	104,831,545	56,558,663

Statutory receivables included in the Statement of Financial Performance

Property rates	214,081,432	198,873,440
Interest received -outstanding property rates	7,706,285	7,944,355
Traffic Fines		
Fines, penalties and forfeits	4,307,207	2,507,907
	226,094,924	209,325,702

Reconciliation of provision for impairment for statutory receivables

Provision for impairment included under receivables from non-exchange transactions:

Property Rates	128,860,165	141,416,745
Traffic Fines	3,465,816	2,012,228
	132,325,981	143,428,973

Statutory receivables past due but not impaired

Statutory receivables

Property rates	94,193,491	45,840,033
Traffic fines	309,503	390,080
	94,502,994	46,230,113

Metsimaholo Local Municipality

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13. Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Sasolburg.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of Metsimaholo.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette.

Interest or other charges levied/charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment / non appearance.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the prime rate plus one percent.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, 94,193,491 (2020: 45,840,033) were past due but not impaired.

Metsimaholo Local Municipality

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13. Statutory receivables (continued)		
Statutory receivables impaired		
As of 30 June 2021, Statutory receivables of 132,325,981 (2020: 143,428,973) were impaired and provided for.		
The amount of the provision was (12,556,978) as at 30 June 2021 (2020: 29,061,396) for receivables from Rates and for Fines 1 453 588 at 30 June 2021(2020: 1 838 217).		
The ageing of these Property Rates is as follows:		
3 to 6 months	6,327,980	6,076,650
Over 6 months	192,753,817	160,213,877
14. Consumer debtors disclosure		
Gross balances		
Rates	223,053,656	187,256,778
Electricity	141,296,118	101,533,306
Water	1,394,632,997	1,191,555,922
Sewerage	69,468,169	59,938,817
Refuse	97,818,640	87,741,903
Other service charges	152,821,190	141,194,796
Sale of land	6,203,511	5,418,344
	2,085,294,281	1,774,639,866
Less: Allowance for impairment		
Rates	(128,860,165)	(141,416,745)
Electricity	(52,695,800)	(64,024,830)
Water	(1,214,441,114)	(1,073,141,700)
Sewerage	(56,113,811)	(53,049,746)
Refuse	(82,969,847)	(79,379,198)
Other service charges	(128,008,605)	(127,455,586)
Sale of land	(4,357,765)	(5,373,226)
	(1,667,447,107)	(1,543,841,031)
Net balance		
Rates	94,193,491	45,840,033
Electricity	88,600,318	37,508,476
Water	180,191,883	118,414,222
Sewerage	13,354,358	6,889,071
Refuse	14,848,793	8,362,705
Other service charges	24,812,585	13,739,210
Sale of land	1,845,745	45,118
	417,847,174	230,798,835
Included in above is receivables from exchange transactions		
Electricity	88,600,318	37,508,476
Water	180,191,884	118,414,222
Sewerage	13,354,358	6,889,071
Refuse	14,848,793	8,362,705
Sale of land	1,845,745	45,118
Sundry receivables	24,812,585	13,739,210
	323,653,683	184,958,802

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14. Consumer debtors disclosure (continued)		
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	94,193,491	45,840,030
Net balance	417,847,174	230,798,832
Rates		
Current (0 -30 days)	15,628,634	12,989,193
31 - 60 days	8,343,225	7,977,058
61 - 90 days	6,327,980	6,076,650
91 - 120 days	192,753,817	160,213,877
Impairment	(128,860,165)	(141,416,745)
	94,193,491	45,840,033
Electricity		
Current (0 -30 days)	23,661,384	8,646,684
31 - 60 days	7,516,437	5,183,560
61 - 90 days	4,859,817	3,875,212
91 - 120 days	105,258,480	83,827,850
Impairment	(52,695,800)	(64,024,830)
	88,600,318	37,508,476
Water		
Current (0 -30 days)	70,838,592	32,160,272
31 - 60 days	39,653,545	19,106,673
61 - 90 days	24,840,079	17,278,484
91 - 120 days	1,259,300,781	1,123,010,493
Impairment	(1,214,441,114)	(1,073,141,700)
	180,191,883	118,414,222
Sewerage		
Current (0 -30 days)	3,058,099	2,079,868
31 - 60 days	1,815,662	1,587,956
61 - 90 days	1,482,894	1,329,397
91 - 120 days	63,111,514	54,941,596
Impairment	(56,113,811)	(53,049,746)
	13,354,358	6,889,071
Refuse		
Current (0 -30 days)	3,096,968	2,482,984
31 - 60 days	2,080,679	2,005,078
61 - 90 days	1,790,427	1,781,727
91 - 120 days	90,850,566	81,472,114
Impairment	(82,969,847)	(79,379,198)
	14,848,793	8,362,705

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Figures in Rand	2021	2020
14. Consumer debtors disclosure (continued)		
Other service charges		
Current (0 -30 days)	3,473,214	1,583,011
31 - 60 days	1,595,420	1,250,583
61 - 90 days	1,612,291	834,758
91 - 120 days	146,140,265	137,526,444
Impairment	(128,008,605)	(127,455,586)
	24,812,585	13,739,210
Sale of Land		
Current (0 -30 days)	5,508,046	45,118
91 - 120 days	695,465	5,373,226
Impairment	(4,357,765)	(5,373,226)
	1,845,746	45,118

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Figures in Rand	2021	2020
14. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	100,896,734	29,284,986
31 - 60 days	50,779,326	26,742,804
61 - 90 days	33,018,037	23,816,960
91 - 120 days	1,694,516,199	1,469,105,818
	1,879,210,296	1,548,950,568
Industrial/ commercial		
Current (0 -30 days)	20,646,591	27,920,654
31 - 60 days	6,918,342	9,682,700
61 - 90 days	4,960,942	6,641,114
91 - 120 days	113,595,746	147,635,418
	146,121,621	191,879,886
National and provincial government		
Current (0 -30 days)	3,721,611	2,781,490
31 - 60 days	3,307,300	685,404
61 - 90 days	2,934,510	718,154
91 - 120 days	49,998,943	29,624,364
	59,962,364	33,809,412
Total		
Current (0 -30 days)	125,264,936	59,987,130
31 - 60 days	61,004,970	37,110,908
61 - 90 days	40,913,488	31,176,228
91 - 120 days	1,858,110,887	1,646,365,600
	2,085,294,281	1,774,639,866
Less: Allowance for impairment		
Current (0 -30 days)	35,969,471	19,682,173
31 - 60 days	36,804,709	22,467,168
61 - 90 days	24,765,117	22,347,664
91 - 120 days	1,569,907,810	1,479,344,026
	1,667,447,107	1,543,841,031
Total debtor past due but not impaired		
Current (0 -30 days)	89,295,465	40,304,957
31 - 60 days	24,200,261	14,643,740
61 - 90 days	16,148,371	8,828,564
91 - 120 days	288,203,077	167,021,574
	417,847,174	230,798,835
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,543,841,030)	(1,290,138,258)
Contributions to allowance	(107,258,239)	(228,925,151)
Movement of VAT component due to impairment	(16,347,838)	(28,123,578)
Debt impairment written off against allowance	-	3,345,957
	(1,667,447,107)	(1,543,841,030)

Metsimaholo 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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15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,150	5,150
Bank balances	9,514,634	7,672,120
Short-term deposits	38,612,979	38,060,999
	48,132,763	45,738,269

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 0.25% to 3.6% (2020: 0.25% to 3.6%)

Funds reserved to support unspent grants:

Integrated National Electrification Programme Grant	2,000	728
Water Services Infrastructure Grant	-	13,034,037
Municipal Infrastructure Grant	-	17,800,469
Sector Education Training Authority Grant	270,563	280,815

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for guarantee: Eskom	990,000	990,000
Total financial assets pledged as collateral for guarantee: Post Office	80,000	80,000

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand				2021			2020
15. Cash and cash equivalents (continued)							
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 520 0000 038	1,461,158	1,278,959	1,446,695	1,459,158	1,278,959	1,448,695	
ABSA BANK - 520 0000 062	-	-	-	-	-	(1,105)	
Standard Bank - current account (primary bank account) 24 034 786 2	8,553,453	9,897,516	12,200,971	8,056,526	6,392,056	8,464,988	
Standard Bank - Revenue Account - 33 197 836 9	-	-	-	(1,050)	-	-	
Absa Bank - Call Account 907 840 0708	73,391	55,309	255,309	73,391	55,309	255,309	
Absa Bank Invest Tracker - 93 5502 8112	8,348,226	10,378,238	-	8,348,226	10,378,238	-	
Standard Bank - Call deposit account 228 505 348 005	1,045,403	4,809,982	9,756	1,045,403	4,809,982	21,474	
Standard Bank - Call deposit account - 228 505 348 007	2,036,900	4,314,252	334,286	2,036,900	4,314,252	382,264	
Nedbank - Call deposit account -788 103 308 000060	1,111,692	8,058,788	927,095	1,111,692	8,058,788	1,461,328	
Nedbank - Call deposit account -788 103 308 000074	2,042,918	124,519	534,233	2,042,918	124,519	-	
Investec -Call account- 1100- 523923-500	16,665,636	5,117,888	709,205	16,665,636	5,117,888	709,205	
Investec -Call account- 1100- 523923-620	4,059,735	-	-	4,059,735	-	-	
FNB - Call account - 62772878909	3,229,077	5,203,128	2,196,764	3,229,077	5,203,128	2,196,764	
Total	48,627,589	49,238,579	18,614,314	48,127,612	45,733,119	14,938,922	

Additional disclosures

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
16. Finance lease obligation		
Minimum lease payments due		
- within one year	508,151	3,522,621
- in second to fifth year inclusive	38,254	556,574
	<u>546,405</u>	<u>4,079,195</u>
less: future finance charges	(15,977)	(251,164)
Present value of minimum lease payments	<u>530,428</u>	<u>3,828,031</u>
Present value of minimum lease payments due		
- within one year	492,810	3,287,519
- in second to fifth year inclusive	37,618	540,512
	<u>530,428</u>	<u>3,828,031</u>
Non-current liabilities	37,618	540,509
Current liabilities	492,810	3,287,522
	<u>530,428</u>	<u>3,828,031</u>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

Finance lease Liability relate to motor vehicles with lease terms not more than 5 years. Finance lease bears interest at 10% (2020: 10%) for motor vehicles. Finance lease liabilities are secured by the motor vehicles leased.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	17,800,469
Integrated National Electrification Programme Grant	2,000	728
Sector Education Training Authority Grant	270,563	280,815
Water Services Infrastructure Grant	-	13,034,037
	<u>272,563</u>	<u>31,116,049</u>

Movement during the year

Balance at the beginning of the year	31,116,049	8,360,979
Additions during the year	56,780,136	86,144,009
Income recognition during the year	(56,787,622)	(54,076,397)
Withheld	(30,836,000)	(8,361,000)
Owed by Regional Bulk Infrastructure	-	(951,542)
	<u>272,563</u>	<u>31,116,049</u>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 30 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	88,594,962	6,168,569	(8,700,219)	86,063,312

Reconciliation of provisions - 2020

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	84,337,965	6,594,185	(2,337,188)	88,594,962

Provision for landfill closure

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Masimba Mapfurira (Engineering Consultant)(BSc Hons Civil Engineering) and Nkosinobubelo Ndebele (Environmental Consultant)(MSc Environmental Sciences) from One Pangaea Expertise and Solutions.

Key financial assumptions used in this calculation were as follows:

Assumption

Average long term CPI	6.03%
Net Discount rate	3.69%
Average Long term Bond	9.94%

The 2021 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2021. The size of the landfill sites used up until now and estimate remaining useful lives are as follows

:	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
Approximate footprint at 30 June 2021	16.87 Ha	0.87 Ha	1.43 Ha
Remaining useful lives	approximately 2 years	approximately 12 years	approximately 7 years

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
19. Payables from exchange transactions		
Trade payables	258,290	255,429
Payments received in advanced	28,329,462	27,176,589
Retentions	20,595,985	19,207,309
Other payables Auditor General	2,336,862	31,159
Accrued leave pay	26,833,694	23,560,151
Accrued bonus	6,822,332	6,336,227
Accrued expense	66,583,125	86,183,813
Insurance	1,664,660	1,295,435
Eskom	56,977,956	59,991,766
Rand Water and Department of Water	72,139,383	52,256,872
Control, Clearing and Interface Accounts	11,471,453	12,541,864
Unallocated deposits	6,834,515	5,803,383
	300,847,717	294,639,997

Accrued expenses

Department of Transport - Government Garage	16,349,297	16,349,297
Compensation Commissioner	12,197,139	10,757,389
Creditors - provision various	9,525,177	17,064,407
Creditors control	28,507,512	32,887,159
Trade Creditor Control	4,000	-
	66,583,125	77,058,252

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

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

Payments Received in Advance are due to payments received for prepaid electricity. Payments received in advance also include consumer debtors' accounts paid in advance.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. Terms for payment have been re-negotiated by the municipality.

20. VAT payable

VAT payable	21,576,715	8,026,417
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

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

21. Consumer deposits

Electricity	3,506,732	230,550
Water	21,888,248	23,736,617
Other deposits	1,510,103	1,510,103
	26,905,083	25,477,270

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

21. Consumer deposits (continued)

No interest accrues on Consumer Deposits.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

22. Service charges

Sale of electricity	324,189,009	285,810,918
Sale of water	402,104,343	390,575,986
Solid waste	35,300,221	32,859,646
Sewerage and sanitation charges	35,828,653	28,184,843
	797,422,226	737,431,393
Forgone income (free portion)		
Electricity	(7,432,535)	(5,652,010)
Sewerage and sanitation	(12,829,960)	(11,392,835)
Solid waste	(15,535,979)	(13,632,362)
Water	(16,854,152)	(9,844,934)
	(52,652,626)	(40,522,141)

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue forgone.

23. Rental of facilities and equipment

Premises

Premises	5,731,262	5,782,125
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Facilities and equipment

Rental of facilities	184,721	200,912
	5,915,983	5,983,037

Property leases are classified as contingent rentals due to lease periods which are on a month to month basis. Operating lease payments are therefore not subject to straight-lining (Refer to note 42)

24. Fines, penalties and forfeits

Municipal Traffic Fines	4,231,910	2,447,650
Tender Withdrawal Penalties	75,297	60,257
	4,307,207	2,507,907

25. Lease rentals on operating lease

Equipment

Contractual amounts	4,225,404	4,053,580
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The leases are entered in to on month-to-month or ad hoc bases, and, therefore, do not have escalation clauses or commitments.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
25. Lease rentals on operating lease (continued)		
Operating lease payments are therefore not subject to straight-lining (Refer to note 42)		
26. Other income		
Cemetery fees	497,180	328,717
Building plan fees	950,773	610,852
Entrance fees	129,193	328,242
Billboards	424,803	434,634
Valuation certificate	1,435	(120,277)
Private telephone calls	135,269	157,927
Sundry income	93,634	108,624
Fire service	812,114	578,437
	3,044,401	2,427,156
27. Investment revenue		
Dividend revenue		
Dividends Sanlam Limited	110,662	123,203
Interest revenue		
Interest received - short term investments	3,044,953	4,490,865
	3,155,615	4,614,068

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
28. Property rates		
Rates revenue		
Residential	112,879,764	105,737,800
Heavy Industries	39,846,325	34,130,069
State	201,750	2,476,845
Municipal	4,051,855	3,590,591
Small holdings and farms	23,452,338	23,333,943
Light Industries	67,625,486	67,717,396
Less: Income forgone	(33,976,086)	(38,113,204)
	214,081,432	198,873,440

Valuations

5 year: Tax Holiday	-	8,590
Churches	133,535	133,535
Heavy/light industries	1,560,388	1,554,038
Small holdings and farms	1,431,524	1,424,774
Public Benefit Organisation/Service Infrastructure	75,003	75,003
Commercial	2,326,833	2,131,933
Municipal	441,554	424,374
Residential	14,919,635	14,853,372
Allocated, unregistered stands	662,775	671,115
	21,551,247	21,276,734

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation was implemented on 01 July 2019

Rebates up to R50 000 (2020: R50 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment..

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church
- Road reserves
- Railway reserves.

Tariff structure (cents per Rand)

Business	0.0184786	0.01744327
Industries	0.444853	0.436130
Residential	0.0092296	0.0087071
Agricultural	0.0023148	0.0021738

29. Grants and subsidies paid

Other subsidies

Burial	97,715	175,615
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Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Government grants and subsidies		
Operating grants		
Equitable share	233,729,000	183,063,999
Financial Management Grant	2,500,000	2,235,000
Expanded Public Works Programme Integrated Grant	1,327,000	1,157,000
Sector Education Training Authority Grant	498,622	569,651
Municipal Infrastructure Grant	3,351,998	14,158,484
Disaster Relief Grant	-	298,000
	241,406,620	201,482,134
Capital grants		
Municipal Infrastructure Grant	28,270,001	19,693,047
Water Services Infrastructure Grants	11,750,000	5,965,963
Integrated Electrification Programme Grant	9,090,000	9,999,251
	49,110,001	35,658,261
	290,516,621	237,140,395

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	56,787,621	54,076,396
Unconditional grants received	233,729,000	183,063,999
	290,516,621	237,140,395

Equitable Share

In terms of the Constitution of the Republic of South Africa, this grant is used to subsidise the provision of basic services to indigent community members.

A Council Resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate basic water, basic electricity and basic sewer per month to all households. Indigent households are allocated 6kl of water, 50 kWh of electricity additional sewer, refuse, and R50 per month on Rates.

The allocation of equitable share has been reduced by R30 800 000 due to the non-spending of funds on the Intergrated National Electrification Programme Grant, Municipal Infrastructure Grant and Water Service Infrastructure Grant by the municipality as at 30 June 2020, as indicated below.

Municipal Infrastructure Grant

Balance unspent at beginning of year	17,800,469	-
Current-year receipts	31,622,000	51,652,000
Conditions met - transferred to revenue	(31,622,000)	(33,851,531)
Funds withheld	(17,800,469)	-
	-	17,800,469

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. Funds have been withheld.

The implementation of connection of households to the sewer network at Gortin was undertaken. Although the nature of the project is a capital project, the assets are not the property of the municipality. Therefore it is shown as transfer under operating grants.

Financial Management Grant

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Government grants and subsidies (continued)		
Current-year receipts	2,500,000	2,235,000
Conditions met - transferred to revenue	(2,500,000)	(2,235,000)
	-	-

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

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

This grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

Regional Bulk Infrastructure Grant

Balance due by RBIG at beginning of year	10,328,550	11,280,093
Current-year receipts	-	(4,951,543)
Transferred to WSIG	-	4,000,000
Balance due by RBIG at the end of the year	(10,328,550)	(10,328,550)
	-	-

Balance due by RBIG is included in receivables from non-exchange transactions (see note 12 17).

The municipality received funds from the Regional Bulk Infrastructure for water purification.

The allocation as per Division of Revenue Act was R70 million from which only R4.9 million (2020) was received. As at 30 June 2019 R11.3 million was still due by Regional Bulk Infrastructure Grant.

Disaster Relief Grant

Current-year receipts	-	(298,000)
Conditions met - transferred to revenue	-	298,000
	-	-

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

Disaster relief grant received to assist with COVID 19 expenditure.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	728	8,360,979
Current-year receipts	9,092,000	10,000,000
Conditions met - transferred to revenue	(9,090,000)	(9,999,251)
Funds withheld	(728)	(8,361,000)
	2,000	728

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

The Integrated Electrification Programme Grant is a conditional grant of which the purpose is to facilitate the development of the electrical infrastructure grid as part of the Integrated National Electrification Programme. The grant was utilised as per intended purpose. Moneys have been withheld.

Sector Education Training Authority Grant

Balance unspent at beginning of year	280,815	-
Current-year receipts	489,136	850,466
Conditions met - transferred to revenue	(498,622)	(569,651)
Funds withheld	(766)	-

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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

	270,563	280,815
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Conditions still to be met - remain liabilities (see note 17).

The municipality received funds from Sector Education Training Authority to promote excellence performance by the human resources division. The funds must be utilised towards training. The agreement for appointment of learners is carried over to 2021/2022 due to the COVID lockdown.

Water Services Infrastructure Grant

Balance unspent at beginning of year	13,034,037	-
Current-year receipts	11,750,000	15,000,000
Current year receipts Previously included in RBIG	-	4,000,000
Conditions met - transferred to revenue	(11,750,000)	(5,965,963)
Funds withheld	(13,034,037)	-
	-	13,034,037

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

This grant has been provided by Department of Water affairs and to try to get water to areas where it was recognised that full services would not become available

Expanded Public Works Programme Integrated Grant

Current-year receipts	1,327,000	1,157,000
Conditions met - transferred to revenue	(1,327,000)	(1,157,000)
	-	-

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

The Expanded Public Works Programme (EPWP) Grant is a conditional grant of which the purpose is the funding of the department's Extended Public Works Programme. The grant was utilised as per intended purpose. No moneys have been withheld.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
31. Public contributions and donations		
Public contributions and donations -capital	1,765,220	6,626,005
Public contributions and donations - operating	3,811,234	12,363,928
	5,576,454	18,989,933

2021: The following donations were made by SASOL:

- Critical remedial work on Sasolburg operations peripheral roads
- Upgrades of Penny Heyns Swimming Pool
- New Community Park in Irak
- COVID 19 support : sanitizer and petrol

2020: The following donations were made by SASOL:

- Emergency sanitation and stormwater upgrades
- Effluent and portable water leaks repair on MLM reticulation systems(Bongani Mbasa Eco Park)
- Transformer replacement at Welegelegen pump station
- Replacement of ultrasonic level controller at Welgelegen Pumpstation
- Upgrading of Welgelegen pumpstation
- Stormwater Masterplan
- Security upgrades at Baddrift and Amelia pump stations
- Bulk Electricity Supply for Zamdela Sports and Recreation Park
- Community Park in Zlrak and upgrade of community sportsfacility
- Electricity maintenance and capacity building
- Upgrade of Deneysville Community Hall
- Sanitizer

Metsimaholo Local Municipality

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Figures in Rand	2021	2020
32. Employee related costs		
Basic	180,014,183	165,993,105
Medical aid - company contributions	22,068,243	20,561,946
UIF	1,352,320	1,346,225
Leave pay and bonus provision	3,759,647	4,798,953
Leave pay accrual	4,088,744	2,754,021
Group Insurance	234,153	230,203
Actuarial (gain)/loss	744,847	(126,540)
Defined contribution plans	31,004,351	28,019,627
Overtime payments	29,812,589	29,205,145
Long-service awards	2,056,177	3,415,352
13th Cheques	14,455,361	13,530,431
Acting allowances	3,197,054	4,032,526
Car allowance	22,341,665	19,786,097
Housing benefits and allowances	2,667,549	2,543,974
Long service award provision	1,370,000	1,326,000
Cell phone allowance	1,562,157	1,332,894
Standby allowance	5,763,510	5,267,529
Industrial council levy contributions	85,034	80,928
Contribution post retirement	2,339,417	1,904,000
Senior management as below	3,064,725	4,599,717
	331,981,726	310,602,133
Remuneration of Accounting Officer		
Annual Remuneration	1,488,731	1,488,731
Car Allowance	240,000	240,000
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Telephone allowance	36,000	36,000
Acting allowance to directors/managers	-	658,252
Acting allowance secondment by COGTA	-	81,077
	1,766,516	2,505,845
Remuneration of Chief Financial Officer		
Acting allowance by Managers	25,898	414,859
Remuneration of Director Technical Service and Infrastructural Services		
Acting allowance by Managers	129,491	407,125
Remuneration of Director Organisational Development and Corporate Services		
Acting allowance by Managers	391,926	414,859
Remuneration of - Director Social Services		
Acting allowance by Managers	403,859	444,652
Remuneration of Director Economic Development		
Acting allowance by Managers	347,035	412,377

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Remuneration of councillors		
Executive Major	938,250	938,250
Council Whip	714,787	714,787
Mayoral Committee Members	5,718,296	5,718,296
Speaker	759,478	759,478
Councillors	9,163,561	9,163,560
Chairpersons Section 79 committees	2,085,363	2,085,363
	19,379,735	19,379,734

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, Speaker, Council Whip, Section 79 Chairpersons and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.		
The Mayor and Speaker have use of a Council - owned vehicle for official duties. The Mayor and Speaker each has a full-time driver.		
The Executive Mayor has two full-time bodyguards.		
Remuneration per councillor		
Executive Mayor		
Tshongwe S L	938,250	938,250
Council Whip		
Mashia VL	714,787	714,787
Mayoral Committee Members		
Semonyo LS	714,787	714,787
Mtshali NM	714,787	714,787
Mofokeng KB	714,787	714,787
Mosokweni F	714,787	714,787
Fisher L	714,787	714,787
Mokoena NP	714,787	714,787
Malindi MJ	714,787	714,787
Poho MS	714,787	714,787
Speaker		
Mabasa KT	759,479	759,478
Chairpersons Section 79 committees		
Molawa M (MPAC chairperson)	695,121	695,121
Kobo SS (Chairperson Street naming)	695,121	695,121
Makhefu L A (Chairperson Ethics)	695,121	695,121
Councillors		
Barnard JJ	327,270	327,270
Burger GS	327,270	327,270
Du Toit T	327,270	327,270
Dywili NN	327,270	327,270
Grobbelaar JJ	327,270	327,270
Leotlela MG	327,270	327,270
Mbana MT	327,270	327,270
Mahlaela PM	327,270	327,270
Mare AK	327,270	327,270
Maseko ME	327,270	327,270
Matwa SM	327,270	327,270
Meyer R	327,270	327,270
Mofokeng TH	327,270	327,270
Mohapi P	327,270	327,270
Mokoena MP	327,270	327,270
Motaung TA	327,270	327,270
Motjeane SM	327,270	327,270
Motloutng TM	327,270	327,270
Nhlapo LL	327,270	327,270
Nkheloane M	327,270	327,270
Nnune GB	327,270	327,270
Nteso SJ	327,270	327,270
Taats TJ	327,270	327,270
Telane MM	327,270	327,270
Tsotetsi J	327,270	327,270

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020			
33. Remuneration of councillors (continued)					
Van der Merwe FJ	327,270	327,270			
Van Heerden	327,270	327,270			
Zwane ZJ	327,270	327,270			
	19,379,735	19,379,734			
34. Depreciation and amortisation					
Property, plant and equipment	122,191,434	45,676,282			
Investment property	1,023,847	1,058,086			
Intangible assets	923,502	(366,722)			
	124,138,783	46,367,646			
35. Finance costs					
Non - current borrowings	-	107,773			
Trade and other payables	3,057,160	5,063,650			
Finance leases	214,630	552,359			
Bank	18,507	379,912			
Unwinding of interest on provision	(2,531,650)	4,256,997			
	758,647	10,360,691			
36. Debt impairment					
Contributions to debt impairment - non-exchange	(3,152,223)	30,899,613			
Contributions to debt impairment - exchange	125,780,824	199,863,755			
	122,628,601	230,763,368			
37. Bulk purchases					
Electricity - Eskom	311,989,111	270,112,633			
Water	195,596,829	179,289,161			
	507,585,940	449,401,794			
2021	Total sales (units)	Less total purchases	(Loss)/gain (units)	% loss on purchases	Rand value of loss
Electricity	183,312,663	221,321,973	(38,009,310)	(17)	48,296,420
Water	12,978,359	20,637,594	(7,659,235)	(37)	65,888,545
	196,291,022	241,959,567	(45,668,545)	(54)	114,184,965
2020	Total sales (units)	Less total purchases	(Loss)/gain (units)	% loss on purchases	Rand value of loss
Electricity	190,983,489	220,622,127	(29,638,638)	(13)	38,820,966
Water	15,092,921	20,718,272	(5,625,351)	(27)	48,664,117
	206,076,410	241,340,399	(35,263,989)	-	87,485,083

Unaccounted consumption can be a result of:

- Distributions losses;
- Internal use that is not metered and not read;
- Illegal connections and theft.
- Supply to informal areas that have not yet been formalized.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Rand Water and the Department of Water and Sanitation.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
38. Contracted services		
Outsourced Services		
Administrative and support staff (printing service)	247,782	1,601,398
Catering services	-	15,500
Cleaning services	503,882	2,733,623
Connection/disconnection	1,084,798	953,240
Traffic fines management	-	42,485
Transport services	133,679	281,070
Consultants and Professional Services		
Business and advisory	9,948,806	11,544,632
Infrastructure and planning	636,669	208,272
Legal cost	13,127,502	13,481,638
Contractors		
Catering services	123,768	241,260
Gardening Services	640,550	1,453,032
Maintenance of buildings and facilities	634,282	941,234
Maintenance of equipment	1,772,319	3,480,839
Maintenance of unspecified assets	3,359,044	2,383,227
Plants, Flowers and Other Decorations	-	5,060
Traffic and street lights	-	62,600
Safeguard and security	19,659,336	20,209,010
Sewerage services	21,758,141	20,203,713
Stage and sound crew	171,095	379,320
	73,801,653	80,221,153
39. Operating expenditure		
Advertising	681,274	451,120
Auditors remuneration	10,498,199	7,503,082
Bank charges	734,609	807,207
Commission paid	6,926,659	7,991,350
Inventory consumables	19,320,080	46,762,721
Entertainment	17,054	123,655
Hire	1,900	44,575
Insurance	4,584,993	4,281,904
IT expenses	6,906,455	7,864,447
Skills development levies	2,416,842	2,074,925
Postage and courier	1,912,667	1,509,426
Royalties and license fees	616,444	486,443
Subscriptions and membership fees	4,132,450	3,788,097
Telephone	2,228,544	2,235,053
Travel - local	478,161	1,031,017
Uniforms	3,416,434	2,650,810
Workmens' Compensation Fund	1,439,750	1,327,945
Ward committee remuneration	1,170,000	1,122,205
Bursaries	102,509	95,706
Other expenses	529,430	515,270
	68,114,454	92,666,958

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
40. Cash generated from operations		
Surplus	115,074,479	13,134,097
Correction of PPE opening balance 30 June 2019	-	11,627,208
Adjustments for:		
Depreciation and amortisation	124,138,783	46,367,632
(Gain)/loss on disposal of assets and liabilities	-	-
(Gain)/loss on inventory count	44,687	65,218
Fair value adjustments - financial assets	(112,045)	886,215
Finance cost - non-current borrowings	-	107,773
Finance costs - finance leases	214,630	552,359
Profit on disposal of assets	1,763,580	-
Debt impairment - Provision for doubtful debts (Exchange Service charges)	126,796,284	199,274,227
Debt impairment - Provision for doubtful debts (Exchange Other))	(1,015,461)	589,529
Debt impairment - Provision for doubtful debts (Non - exchange - Rates)	(6,715,013)	29,061,396
Debt impairment - Provision for doubtful debts (Non - exchange - Traffic)	3,562,789	1,838,217
Contribution to Employee Benefit Liabilities - Non-current	3,053,187	4,094,917
Contribution to employee benefit liabilities - current	656,230	(864,917)
Finance costs - Trade and other payables	3,057,160	5,063,650
(Increase)/decrease in Long term receivables	(1,800,628)	522,099
Finance cost - Discounting of provision for rehabilitation of landfill site	(2,531,650)	4,256,997
Assets received as donations	(1,751,220)	(6,626,004)
Provision for staff bonus	486,105	718,518
Provision for staff leave	3,273,543	4,080,432
Employee cost - actuarial gains	744,847	(126,540)
Changes in working capital:		
Inventories	(186,308)	196,962
(Increase)/decrease Receivables from exchange transactions (Service)	(263,690,537)	(226,147,783)
(Increase)/decrease Receivables from exchange transactions (Other)	7,793,243	(4,142,409)
Trade receivables from non-exchange transactions - Rates	(41,638,445)	(43,947,805)
Trade receivables from non-exchange transactions - Fines	(3,616,882)	(1,328,544)
Other Financial Assets	-	23,667
Increase/(Decrease) in VAT	13,550,298	5,145,115
Unspent conditional grants and receipts	(30,843,486)	22,755,070
Increase/(Decrease) in Trade payables from exchange	(609,089)	20,429,462
Increase/(Decrease) in Consumer deposits	1,427,813	1,376,510
	51,126,894	88,983,268

41. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	2,829,710	12,810	2,842,520
Receivables from exchange transactions	-	330,067,526	330,067,526
Receivables from non-exchange transactions	-	109,225,670	109,225,670
Cash and cash equivalents	-	48,132,763	48,132,763
Receivables from non-exchange transactions (non- current)	-	1,845,746	1,845,746
Fruitless and wasteful expenditure recoverable	-	18,451,758	18,451,758
	2,829,710	507,736,273	510,565,983

Financial liabilities

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
41. Financial instruments disclosure (continued)		
	At amortised cost	Total
Consumer deposits	26,905,083	26,905,083
Employee benefit obligation	4,356,313	4,356,313
Payables from exchange transactions	300,847,717	300,847,717
VAT Payable	21,576,715	21,576,715
Finance lease obligation	492,810	492,810
Unspent conditional grants and receipts	272,563	272,563
	354,451,201	354,451,201

2020

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	2,717,665	12,810	2,730,475
Receivables from exchange transactions	-	199,951,055	199,951,055
Receivables from non-exchange transactions	-	60,818,119	60,818,119
Cash and cash equivalents	-	45,738,269	45,738,269
Receivables from non-exchange transactions (non- current)	-	45,118	45,118
Fruitless and wasteful expenditure recoverable	-	18,451,758	18,451,758
	2,717,665	325,017,129	327,734,794

Financial liabilities

	At amortised cost	Total
Consumer deposits	25,477,270	25,477,270
Employee benefit obligation	3,700,083	3,700,083
Payables from exchange transactions	294,639,997	294,639,997
VAT Payable	8,026,417	8,026,417
Finance lease obligation	3,287,522	3,287,522
Unspent conditional grants and receipts	31,116,049	31,116,049
	366,247,338	366,247,338

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	152,192,635	96,819,128
Total capital commitments		
Already contracted for but not provided for	152,192,635	96,819,128
Total commitments		
Total commitments		
Authorised capital expenditure	152,192,635	96,819,128

This committed expenditure relates to infrastructure assets and will be financed by government grants.

Operating leases - as lessee (expense)

Operating Leases relate to the rental of machinery, vehicles and plant & equipment for construction and waste collection purposes, on an ad hoc basis from a panel of contractors on instances where the municipal-owned plant and machinery have breakdowns or any other reasons where the municipal plant and machinery are not available. The tender is awarded on a rotational basis. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to uncertain lease periods. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be paid for each of the following periods as required by GRAP 13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- construction and waste collection vehicles
- machinery and equipment

Operating leases - as lessor (income)

Operating Leases relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to some uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

- no later than one year
- later than one year and not later than five years
- later than five years

The municipality has operating lease agreements for the following classes of assets:

- Buildings

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
43. Contingencies		
Ponoane Attorneys		
Thabo Twala / Metsimaholo Local Municipality	-	100,000
Safcrete Construction/Metsimaholo Municipality	-	60,000
Liesel Trust / Metsimaholo Local Municipality	-	300,000
MEC- Fisher group / Metsimaholo Local Municipality	-	80,000
Mokobe SS / Metsimaholo Local Municipality	-	85,000
Dreyer /Metsimaholo Municipality	-	150,000
Lawrence Melato Attorneys		
John Motloun/ Metsimaholo Local Municipality	154,906	154,906
Raphela Incorporated Attorneys and Conveyancers		
Lizelle Trust/Metsimaholo Local Municipality	171,600,521	171,600,521
Katake Attorneys		
Within Africa Construction/ Metsimaholo Local Municipality	1,665,197	-
	173,420,624	172,530,427

Other contingent liabilities

Unlicensed landfill site

The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

44. Related parties

Relationships

Accounting Officers	Refer to accounting officers' report note
Councillors	
Nthebe MD	Alaska One Enterprise (Pty) Ltd
Grobbelaar JJ	In his footprints (Non-profitable Charity organization)
Semonyo L S	MATLA Dynamics
Tshongwe SL	WHIPHOLD
Matwa SM	Life V/A Kasi -private company
Mbana MT	Botho Keng PTY LTD
Makhefu LA	Financial Penicea PTY LTD
Mosokweni F	Sibusiwwe Construction
Mare AK	Sticker KHF 1 PTY LTD
Fisher L (company of spouse)	MONYESEMANE PTY LTD
Mtshali NM (company of son -50%)	Gojeni Project - construction
	Themba Mtshali construction
Zwanje ZJ	Phuthuma Natai
Barnard JJ	SOS Signs
Meyer R	Eclipz Doggy Parlour
	Ingwe Emergency Fire and Risk Consultants
Key management	Name
SM Molala	Afriscapes CC (Capacity building)
Ramovha MM	TL Ramovha trust
	Duvhaliswa LTD LTD
Mathe FM	Tsebo Kitso Trainings
Post-employment benefit plan for employees	Refer to note
Members of key management	Refer to note
Executive Council Members	Refer to note

There were no transactions with the above listed entities subject to control by council members

Services rendered to Related Parties

Councillors 2021	Name	Rates charges	Services charges	Interest	Sundry charges	Outstanding balances
Executive Mayor Proportional	Tsongwe SL	6,830	18,110	58	-	1,608
Councillor: Proportional	Du Toit T	8,491	41,697	138	-	4,675
Councillor: Proportional	Leotlela M	600	2,329	652	-	16,450
Councillor: Proportional	Malindi MJ	600	1,318	-	-	(4,345)
Councillor: Proportional	Maseko ME	600	3,587	368	-	57,415
Councillor: Proportional	Mashia VL	1,292	11,080	291	-	49,526
Councillor: Proportional	Matwa SM	600	1,507	17	-	10,753
Councillor: Proportional	Mbana MT	600	-	66	-	1,289
Councillor: Proportional	Mofokeng KB	600	818	120	-	1,028
Councillor: Proportional	Mofokeng TH	4,799	8,358	5	-	1,246
Councillor: Proportional	Mohapi P	4,707	11,320	407	-	23,777
Councillor: Proportional	Motaung TA	1,661	1,022	520	-	49,450
Councillor: Proportional	Motjeane SM	3,646	22,788	576	-	156,357
Councillor: Proportional	Motloung TM	2,815	2,189	-	-	29,267
Councillor: Proportional	Nhlapo LL	846	3,288	-	-	(3,579)
Councillor: Proportional	Poho MS	600	4,333	5	-	4,159
Councillor: Proportional	Semonyo LS	1,754	10,329	-	-	919
Councillor: Proportional	Taats TJ	600	34,995	800	-	44,363
Councillor: Proportional	Tsotetsi JL	1,154	3,703	448	-	82,018
Councillor: Proportional	Van Heerden L J	7,107	11,572	-	-	1,302
Councillor: Proportional	Zwane ZJ	6,553	6,260	-	-	1,169
Councillor: Ward 1	Mokoena MP	600	1,619	-	-	150

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand				2021	2020		
44. Related parties (continued)							
Councillor: Ward 2	Molawa JM	600	7,342	-	638		
Councillor: Ward 3	Telane MM	600	9,312	-	110,371		
Councillor: Ward 4	Nnune GB	600	3,072	51	6,516		
Councillor: Ward 5	Kobo SS	600	4,230	-	22,519		
Councillor: Ward 6	Nkheloane M	600	10,049	201	67,307		
Councillor: Ward 7	Mahlaela PM	1,338	248	-	13,010		
Councillor: Ward 8	Nteso SJ	1,569	4,927	1,235	117,296		
Councillor: Ward 9	Dywili NN	2,215	4,539	1	6,513		
Councillor: Ward 10	Mtshali NM	2,907	15,638	608	32,601		
Councillor: Ward 11	Mabasa KT	2,815	10,682	23	624		
Councillor: Ward 12	Makhefu LA	1,338	177	-	28		
Councillor: Ward 13	Mosokweni FD	831	13,299	17	59,893		
Councillor: Ward 14	Van der Merwe FJ	7,107	30,206	-	3,221		
Councillor: Ward 15	Grobbelaar JJ	7,568	6,050	2	2,502		
Councillor: Ward 16	Barnard JJ	6,553	14,340	-	1,498		
Councillor: Ward 17	Burger GS	8,307	26,666	9	1,882		
Councillor: Ward 18	Meyer R	14,306	16,748	-	1,341		
Councillor: Ward 19	Mare AK	1,246	695	-	183		
Councillor: Ward 20	Fisher L	1,338	19,791	-	1,551		
Councillor: Ward 21	Mokoena NP	600	10,598	52	26,720		
Subtotal		-	120,093	410,831	6,670	-	1,005,211
			120,093	410,831	6,670		1,005,211

Councillors 2020	Name	Rates charges	Services charges	Interest	Sundry charges	Outstanding balances
Executive Mayor Proportional	Tsongwe SL	7,012	23,596	280	-	11,079
Councillor: Proportional	Du Toit T	8,718	57,971	945	-	15,308
Councillor: Proportional	Leotlela M	650	716	776	-	23,796
Councillor: Proportional	Malindi MJ	650	1,369	-	-	5,340
Councillor: Proportional	Maseko ME	650	4,023	376	-	52,833
Councillor: Proportional	Mashia VL	1,219	12,479	199	769	101,154
Councillor: Proportional	Matwa SM	650	1,265	56	-	17,659
Councillor: Proportional	Mofokeng KB	600	977	443	-	8,236
Councillor: Proportional	Mofokeng TH	4,928	15,635	3	-	4,775
Councillor: Proportional	Mohapi P	600	333	345	-	5,797
Councillor: Proportional	Motaung TA	1,706	1,001	963	-	15,840
Councillor: Proportional	Motjeane SM	3,743	41,061	464	270	128,254
Councillor: Proportional	Motloung TM	2,656	1,987	-	769	24,239
Councillor: Proportional	Nhlapo LL	871	2,663	-	-	1,142
Councillor: Proportional	Poho MS	650	4,399	6	-	11,276
Councillor: Proportional	Semonyo LS	1,800	8,371	18	-	571
Councillor: Proportional	Taats TJ	650	3,882	459	-	7,964
Councillor: Proportional	Tsotetsi JL	1,185	33,226	486	-	76,614
Councillor: Proportional	Van Heerden L J	6,704	15,270	-	-	1,112
Councillor: Proportional	Zwane ZJ	6,728	6,434	7	-	1,426
Councillor: Ward 1	Mokoena MP	650	927	589	-	8,787
Councillor: Ward 2	Molawa JM	650	6,657	-	-	553
Councillor: Ward 3	Telane MM	650	25,034	-	-	102,446
Councillor: Ward 4	Nnune GB	650	5,172	6	-	3,391
Councillor: Ward 5	Kobo SS	650	3,912	-	-	29,794
Councillor: Ward 6	Nkheloane M	650	8,273	120	-	56,444
Councillor: Ward 7	Mahlaela PM	1,374	5,531	-	270	11,411
Councillor: Ward 8	Nteso SJ	1,480	6,239	1,320	-	109,478
Councillor: Ward 9	Dywili NN	2,274	7,025	356	270	29,745
Councillor: Ward 10	Mtshali NM	5,728	8,751	2,640	540	84,455

Metsimaholo Local Municipality

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Figures in Rand		2021	2020				
44. Related parties (continued)							
Councillor: Ward 11	Mabasa KT	1,421	6,300	-	-	(3,675)	
Councillor: Ward 12	Makhefu LA	1,262	642	-	-	196	
Councillor: Ward 13	Mosokweni FD	853	5,273	260	-	63,678	
Councillor: Ward 14	Van der Merwe FJ	7,297	36,233	-	-	2,781	
Councillor: Ward 15	Grobbelaar JJ	7,770	5,729	11	-	(234)	
Councillor: Ward 16	Barnard JJ	6,728	16,468	-	-	1,740	
Councillor: Ward 17	Burger GS	7,836	12,196	-	-	11	
Councillor: Ward 18	Meyer R	13,496	12,471	-	-	2,274	
Councillor: Ward 19	Mare AK	1,279	716	-	-	(558)	
Councillor: Ward 20	Fisher L	1,863	9,844	79	-	1,259	
Councillor: Ward 21	Mokoena NP	650	13,057	1	-	55,448	
Subtotal		-	117,581	433,108	11,208	2,888	1,073,839
			117,581	433,108	11,208	2,888	1,073,839
Section 57 personnel 2021							
	Name	Rates Charges	Service Charges	Interest charges	Sundry charges	Outstanding Balance	
Acting Municipal Manager	Mathe M	4,384	6,963	-	-	(2,349)	
Acting Director Social Services	Alberts G	10,337	17,746	1,081	(84)	20,457	
Acting Director Technical Services	Ramovha	4,849	35,026	519	1,208	20,977	
Acting Director LED	Theko M	12,645	22,693	61	(101)	4,565	
Subtotal		-	32,215	82,428	1,661	1,023	43,650
			32,215	82,428	1,661	1,023	43,650
Section 57 personnel 2020							
	Name	Rates Charges	Service Charges	Interest Charges	Sundry charges	Outstanding balance	
Acting Municipal Manager	Mathe M	8,272	11,341	2	270	2,704	
Acting Municipal Manager and Director Social Services	Mokoena SJ	18,024	55,583	2	396	9,028	
Acting Director Corporate Services	Molotsi B	10,274	11,116	2,583	3,930	45,577	
Acting Director Corporate Services	Moholi KA	3,519	7,869	3	-	696	
Acting Director Social Services	Alberts G	9,752	44,242	-	126	2,019	
Acting Director LED	Theko M	15,760	19,944	2,583	3,929	11,673	
Subtotal		-	65,601	150,095	5,173	8,651	71,697
			65,601	150,095	5,173	8,651	71,697
2021: Revenue of family of key management personnel and councillors that are employed at the municipality							
	Name	Family member	Family member	Relationship	Remuneration	Total	
Organisation Development and Corporate Services	E Sediane	SS Sediane	Human Resources	Wife	570,054	570,054	
Social services	MD Moshodi	DB Moshodi	Parks Finance	Wife	210,431	210,431	
Councillor	PM Mahlaela	RM Mahlaela	Technical services	Daughter	282,870	282,870	
Councillor	MJ Malindi	MM Nhlapo	Office of speaker	Sister	383,204	383,204	
Subtotal		-	-	-	-	1,446,559	1,446,559
						1,446,559	1,446,559

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44. Related parties (continued)

2020: Revenue of family of key management personnel and councillors that are employed at the municipality

	Name	Family member	Family member	Relationship	Remuneration	Total
Organisation Development and Corporate Services	E Sediane	SS Sediane	Human Resources	Wife	906,268	906,268
Social services	MD Moshodi	DB Moshodi	Parks Finance	Wife	235,727	235,727
Councillor	NN Dywili	N Dywili	Parks	Wife	376,512	376,512
Councillor	PM Mahlaela	RM Mahlaela	Technical services	Daughter	141,143	141,143
Subtotal	-	-	-	-	1,659,650	1,659,650
					1,659,650	1,659,650

Remuneration of management

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44. Related parties (continued)

Management class: Councillors

2021

Name	Basic salary	Other benefits received	Total
Mayoral committee members	4,321,801	1,396,495	5,718,296
Mayor	673,987	264,263	938,250
Council Whip	673,987	40,800	714,787
Speaker	539,909	219,569	759,478
Chairpersons Section 79 committees	1,832,843	252,520	2,085,363
Other Councillors	6,787,181	2,376,380	9,163,561
	14,829,708	4,550,027	19,379,735

2020

Name	Basic salary	Other benefits received	Total
Mayoral committee members	5,391,896	326,400	5,718,296
Mayor	897,450	40,800	938,250
Council Whip	673,987	40,800	714,787
Speaker	718,678	40,800	759,478
Chairpersons Section 79 committees	1,962,963	122,400	2,085,363
Other Councillors	8,021,160	1,142,400	9,163,560
	17,666,134	1,713,600	19,379,734

Refer to note "Remuneration of councillors"

Management class: Section 57 personnel - Refer to Note 30

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44. Related parties (continued)

The municipality was placed under administration in terms of Section 139(1) (b) of the Constitution of the Republic of South Africa, 1996 from 20 February 2020 till 8 June 2021.. Mr T Manele was appointed by COGTA as the Administrator of the municipality. Mr FM Mathe was seconded as acting Municipal Manager, Ms K Lepesa as acting Chief Financial officer and Mr L Ntoyi as acting Director Technical Services,

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45. Change in estimate

Property, plant and equipment

The useful life of 1 635 assets, included in Property, Plant and Equipment have been reassessed and the remaining useful lives of these assets were extended. The effect of this revision has decreased the depreciation charges for the current and future periods by R3 774 217.70

The useful lives of landfill-site assets, included in Property, Plant and Equipment have been re-assessed and the remaining useful lives of these assets were extended for 1 year on the Sasolburg site, decreased with 4 years on the Oranjeville site and increase with 3 years on the Deneysville site as at 30 June 2021. The effect of this revision has decreased the depreciation charge for the current (2021) year by R 765,108 and increased the depreciation charge for future periods with the same amount.

Remaining Useful Life as at 30 June 2021	2020 assessment	2021 assessment	Increase/ (Decrease)
Sasolburg landfill	1	2	1
Oranjeville landfill	16	12	(4)
Deneysville landfill	4	7	3
Depreciation expense for 2021	2020 assessment	2021 assessment	Increase/ (Decrease)
Sasolburg landfill	2,023,003	1,348,669	(674,334)
Oranjeville landfill	16,202	21,187	4,985
Deneysville landfill	255,358	159,599	(95,759)
	2,294,562	1,529,454	(765,108)
Depreciation expense for future period	2020 assessment	2021 assessment	Increase/ (Decrease)
Sasolburg landfill	2,023,003	2,697,337	674,334
Oranjeville landfill	259,226	254,241	(4,985)
Deneysville landfill	1,021,432	1,117,191	95,759
	3,303,660	4,068,769	765,108
Carrying value 30 June	5,598,223	5,598,223	-

46. Prior-year adjustments

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

Statement of financial position

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46. Prior-year adjustments (continued)

2019

	Note	As previously reported	Correction of error	Restated
Inventories		1,467,433	-	1,467,433
Fruitless and wasteful expenditure recoverable		18,451,758	-	18,451,758
Other financial assets		3,640,357	-	3,640,357
Receivables from exchange transactions		169,524,819	(200)	169,524,619
Receivables from non-exchange transactions		46,441,383	-	46,441,383
Cash and cash equivalents		13,877,193	1,066,879	14,944,072
Investment property		445,937,342	(191,593,950)	254,343,392
Property, plant and equipment		1,223,944,817	-	1,223,944,817
Intangible assets		4,189,199	-	4,189,199
Heritage assets		4,427,969	-	4,427,969
Receivables from exchange transactions		567,217	-	567,217
Short term portion - long term loan		(1,634,939)	-	(1,634,939)
Finance lease obligation		(3,347,599)	-	(3,347,599)
Payables from exchange transactions		(255,279,180)	(9,068,756)	(264,347,936)
VAT payable		(5,906,118)	3,024,816	(2,881,302)
Consumer deposits		(24,100,760)	-	(24,100,760)
Employee benefit obligation		(4,565,000)	-	(4,565,000)
Unspent conditional grants and receipts		(8,360,979)	-	(8,360,979)
Finance lease obligation		(3,828,028)	-	(3,828,028)
Employee benefit obligation		(50,116,000)	-	(50,116,000)
Provisions		(84,337,965)	-	(84,337,965)
Accumulated surplus		(1,490,992,919)	196,571,211	(1,294,421,708)
		-	-	-

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		1,183,309	21,944	-	1,205,253
Fruitless and wasteful expenditure recoverable		18,451,758	-	-	18,451,758
Other financial assets		2,730,475	-	-	2,730,475
Receivables from exchange transactions		230,022,645	(30,071,590)	-	199,951,055
Receivables from non exchange transactions		57,221,498	(403,379)	4,000,000	60,818,119
Cash and cash equivalents		44,671,390	1,066,879	-	45,738,269
Investment property		444,879,258	(191,593,950)	-	253,285,308
Property, plant and equipment		1,225,813,747	-	-	1,225,813,747
Intangible assets		4,555,920	-	-	4,555,920
Heritage assets		4,427,968	-	-	4,427,968
Receivables from exchange transactions		45,118	-	-	45,118
Finance lease obligation		(3,287,522)	-	-	(3,287,522)
Payables from exchange transactions		(281,446,155)	(13,193,842)	-	(294,639,997)
VAT payable		(11,092,173)	3,065,756	-	(8,026,417)
Consumer deposits		(25,477,270)	-	-	(25,477,270)
Employee benefit obligation (current)		(3,700,083)	-	-	(3,700,083)
Unspent conditional grants and receipts		(27,116,049)	-	(4,000,000)	(31,116,049)
Finance lease obligation		(540,509)	-	-	(540,509)
Employee benefit obligation (non-current)		(54,084,377)	-	-	(54,084,377)
Provisions		(87,620,304)	(974,659)	-	(88,594,963)
Accumulated surplus		(1,539,638,644)	232,082,841	-	(1,307,555,803)
		-	-	-	-

Statement of financial performance

Metsimaholo Local Municipality

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46. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		767,532,947	(30,101,554)	-	737,431,393
Rental of facilities and equipment		5,983,037	-	-	5,983,037
Interest received - consumers		37,983,021	-	-	37,983,021
Income legal costs		3,901,301	-	-	3,901,301
Sale of stands		225,881	-	-	225,881
Operational revenue		2,544,036	(116,880)	-	2,427,156
Interest received - investment		4,490,865	-	-	4,490,865
Dividends received		123,203	-	-	123,203
Property rates		199,276,819	(403,379)	-	198,873,440
Licenses and permits (non-exchange)		56,315	-	-	56,315
Interest received -outstanding property rates		7,944,355	-	-	7,944,355
Government grants and subsidies		237,140,395	-	-	237,140,395
Public contributions and donations		18,989,933	-	-	18,989,933
Fines, penalties and forfeits		2,507,907	-	-	2,507,907
Employee related costs		(307,824,153)	(2,870,505)	92,526	(310,602,132)
Remuneration of councillors		(19,379,734)	-	-	(19,379,734)
Depreciation and amortisation		(46,367,646)	-	-	(46,367,646)
Finance costs		(9,386,032)	(974,659)	-	(10,360,691)
Lease rentals on operating lease		(3,989,115)	(64,466)	-	(4,053,581)
Debt impairment		(230,763,368)	-	-	(230,763,368)
Bulk purchases		(449,401,794)	-	-	(449,401,794)
Contracted services		(79,498,478)	(722,675)	-	(80,221,153)
Transfers and subsidies		(175,615)	-	-	(175,615)
Loss on investment share price		(886,215)	-	-	(886,215)
Inventories losses/write-downs		(88,633)	23,416	-	(65,217)
Operating expenditure		(92,293,507)	(280,926)	(92,526)	(92,666,959)
Surplus for the year		48,645,725	(35,511,628)	-	13,134,097

Errors

The following prior period errors adjustments occurred:

Error 1

Leave was paid out to staff. Due to COVID did not took leave and requested that excess leave were paid out. Correction of overtime, standby. In certain cases back pay was paid out to due disparity in post levels.

Statement of Financial Position

Increase/(decrease) Trade payables	-	4,353,391
Increase/(decrease) Accumulated Surplus	-	(1,332,879)

Statement of Financial Performance

(Increase)/decrease Employee related cost	-	(3,020,512)
	-	-

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46. Prior-year adjustments (continued)

Error 2

Claim cost of administrative team from GOGTA. The municipality was placed under administration and COGTA is responsible for expenses from the administrative team.

Statement of Financial Position

(Increase)/decrease Receivables from exchange transactions	-	(152,770)
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Statement of Financial Performance

(Increase)/decrease Employee related costs	-	150,007
(Increase)/decrease Operating expenditure	-	2,763
	<hr/>	<hr/>
	-	-

Error 3

Correction of interim water and electricity readings on consumer accounts. The consumption was allocated to the correct year. The readings of July 2020 was also corrected as provision was made in June 2020.

Statement of Financial Position

(Increase)/decrease Receivables from exchange transactions	-	30,101,554
--	---	------------

Statement of Financial Performance

Increase/(decrease) Service charges - electricity	-	(12,875,399)
Increase/(decrease) Service charges - water	-	(17,226,155)
	<hr/>	<hr/>
	-	-

Distribution losses on water electricity also changed. The restatement for water is 27% (20%) and electricity is 13% (12%)

Metsimaholo Local Municipality

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46. Prior-year adjustments (continued)

Error 4

Correction of VAT on payments made and corrections on inventories. VAT was reviewed and the municipality received back money from SARS for years prior 2019/2020.

Statement of Financial Position

Increase/(decrease) VAT	-	(3,066,011)
(Increase)/decrease Inventories	-	(21,944)
Increase/(decrease) Accumulated surplus	-	3,024,816

Statement of Financial Performance

(Increase)/decrease Inventory losses and write downs	-	23,416
(Increase)/ decrease Operating expenditure	-	39,723
	-	-

Error 5

Invoices received after year end for payment. The invoices related to work/ services that was performed in prior years.

Statement of Financial Position

Increase/(decrease) Trade payables from exchange transactions	-	1,791,945
Increase/(decrease) VAT	-	16
Increase/(decrease)Accummulated surplus	-	(681,407)

Statement of Financial Performance

(Increase)/ decrease Operating expenditure	-	(168,146)
(Increase)/ decrease Operating lease	-	(64,466)
(Increase)/ decrease Operating expenditure (inventory)	-	(155,267)
(Increase)/ decrease Contracted Services	-	(722,675)
	-	-

Error 6

Deposits on bankreconciliations allocated was corrected

Statement of Financial Position

(Increase)/decrease Cash and cash equivalents	-	(1,066,879)
Increase/(decrease) Accumulated surplus	-	1,066,879
	-	-

Error 7

Correction of property rates and other income. The reconciliations were reviewed and corrections were done. Reallocation of sundry income was done.

Statement of Financial Position

(Increase)/decrease receivables from exchange transactions	-	122,806
Increase/(decrease) VAT	-	255
(Increase)/decrease receivables from non exchange transactions	-	403,379
Increase/(decrease) Trade payables from exchange transactions	-	(5,980)
Increase/(decrease) Accumulated surplus	-	(200)

Statement of Financial Performance

Increase/ (decrease) Property Rates	-	(403,379)
Increase/ (decrease) other income	-	(116,881)
	-	-

Metsimaholo Local Municipality

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46. Prior-year adjustments (continued)

Error 8

Provision for court order for payment to prior employee. A settlement was made with lawyers of employee that was missed and won his case in Court against the municipality.

Statement of Financial Position

Increase/(decrease) Trade payables	-	7,054,487
Increase/(decrease) Accumulated surplus	-	(7,054,487)
		<hr/>
	-	-
		<hr/>

Error 9

Correction of asset register. Duplicated items on Investment Property were removed from the asset register. The consultant review the Asset register and made the corrections.

Statement of Financial Position

(Increase)/decrease Investment Property	-	191,593,950
Increase/(decrease) Accumulated surplus	-	(191,593,950)
		<hr/>
	-	-
		<hr/>

Error 10

Correction on land fill site. The consultant address the valuation of the landfill sites.

Statement of Financial Position

Increase/(decrease) Provisions Landfill site	-	974,659
Statement of Financial Performance		
(Increase)/decrease in interest paid in non current provision	-	(974,659)
		<hr/>
	-	-
		<hr/>

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46. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

Reclassify entertainment of Municipal Manager and Directors from employee related cost to operating expenditure

Statement of Performance

(Increase)/decrease Employee related cost	-	92,526
(Increase)/decrease Operating expenditure	-	(92,526)
	<hr/>	<hr/>
	-	-

Budget re-classification of entertainment of directors from employee related cost to operating expenditure, R10 000.

Reclassification 2

Re-classification Payables -Water account of Department of Water from Accuals to Rand Water and Department of water, Note 19

Payables from exchange transactions

Increase/(decrease) Accrued expenses	-	(36,217,184)
Increase/(decrease) Rand Water and Department of Water	-	36,217,184
	<hr/>	<hr/>
	-	-

Reclassification 3

Revenue received for RBIG was reclassified to WSIG. National Treasury withheld funds incorrectly.

Statement of Position

Increase/(decrease) Unspent Grants	-	4,000,000
(Increase)/ decrease Receivables from non-exchange	-	(4,000,000)

Statement of Performance

Increase/(decrease) WSIG	-	4,000,000
Increase/(decrease) RBIG	-	(4,000,000)
	<hr/>	<hr/>
	-	-

47. Comparative figures

Certain comparative figures have been restated, refer to note 46 - Prior-year adjustments for the detail.

48. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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48. Risk management (continued)

Liquidity risk

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

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

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	26,905,083	-	-	-
Finance lease obligation	492,810	37,618	-	-
Payables from exchange transactions	300,847,717	-	-	-
Unspent conditional grants and receipts	272,563	-	-	-
	328,518,173	37,618	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	25,477,270	-	-	-
Finance lease obligation	3,287,522	540,509	-	-
Payables from exchange transactions	294,639,997	-	-	-
Unspent conditional grants and receipts	31,116,049	-	-	-
	354,520,838	540,509	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis, taking past payment behavior in to account.

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

Financial instrument	2021	2020
Cash and cash equivalents	48,132,763	45,738,269
Receivables from exchange transactions	330,067,526	199,951,055
Receivables from non-exchange transactions	109,225,670	60,818,119
Receivables from exchange transactions (non-current)	1,845,746	45,118
Fruitless and waste full expenditure recoverable	18,451,758	18,451,758
Other financial assets	2,842,520	2,730,475

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

Market risk

Metsimaholo Local Municipality

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48. Risk management (continued)

Interest rate risk

The municipality invests funds in short term investments; as such, there is some cash flow risk.

The municipality's borrowings are in fixed rate instruments. During 2021 and 2020, the municipality's borrowings were denominated in the Rand.

The entity's policy is to minimise interest rate cash flow risk exposure on longterm financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Finance lease obligations

The municipality's interest rate risk arises from finance leases. Finance leases issued at fixed rates expose the municipality to fair value interest rate risk. Entity policy is to maintain the majority of its borrowing and finance leases in fixed rate instruments.

Market Risk

Market risk is the risk that changes in market prices, such as forgone exchange rates, interest rates and equity prices will affect the municipality's income on the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks on the manner which it manages and measures the risk.

Fair value interest rate risk

The municipality is exposed to fair value risk as it regularly invests capital in fixed deposit accounts. This risk is managed by investing the funds for less than a year (depending on cash flow requirements), thus allowing the interest rate to be updated regularly throughout the year.

Assuming all such investments at year end were invested for a year, the effect of a 1% change in interest rate (applicable for the entire year) would be: R386 130 (2020: R380 609).

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality at fair value of R.2 829 710 (2020: R2 717 665). The impact of a 10% change in price would be R282 971. (R2020: R271 767).

This investment consists of equity in one listed entity (Sanlam Ltd), and the municipality does not actively trade in equity instruments or conduct any hedging activities.

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

49. 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.

Management considered the following matters in relation to the Going Concern position of Metsimaholo Local Municipality:

(i) On 31 May 2021 Council adopted the 2021/22 to 2023/24 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), fund the elementary operations of the Municipality to support the ongoing delivery of municipal services to residents, reflected that the Budget was cash-backed over the three-year period.

Metsimaholo Local Municipality

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49. Going concern (continued)

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(v) We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R1 422 630 283 and that the municipality's current assets exceed its current liabilities by R155 615 910, 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.

(vi) A cost containment program is in place and it is regarded by Council as a high priority in order to contain cost and improve service delivery.

(vii) Metsimaholo Local Municipality is a grade 9 municipality it is in public interest that the municipality remains solvent and continue as an ongoing concern.

Municipality Entity Funding

The municipality receives funding from the Government as Grants and Transfers as per the DoRA. There is no intention from Treasury to stop the distribution of Equitable share to Metsimaholo Local Municipality. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.

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

Grants received in 2021/2022 financial year:

Equitable Share	R214 398 000
Financial Management Grant	R 2 650 000
Municipal Infrastructure Grant	R 47 085 000
Integrated National Electrification Programme	R 30 400 000
Water Infrastructure Grant	R 17 000 000
Regional Bulg Infrastructure Grant	R 40 000 000
Expanded Public Works Programme Integrated Grant	R 1 622 000
Total	R 353 155 000

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Metsimaholo's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe

50. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

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51. COVID 19 -EXPENDITURE

Background information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID- 19 outbreak as a global pandemic on 11th March 2020.

Covid-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Thus, there will not be any prior year information regarding expenditure in lieu of Covid-19.

The table below indicates the total Covid-19 response expenditure (excluding VAT) for the period ending 30 June 2021:

COVID-19 Expenditure

Operating Expenditure

Operating expenditure: Inventory	688,102	1,357,918
Operating expenditure: Inventory	146,878	-
Operating expenditure: Inventory - food parcels	-	326,800
Operating expenditure: Advertisement	-	25,500
Operating expenditure: Protective clothing	1,466,575	532,871
Contracted Services: Loudhauling	24,150	220,500
Employee related cost: COVID 19 Allowance	1,500	640,500
Employee related cost: Overtime	-	1,164,296
Operating expenditure: Inventory fuel	688,311	-

Capital Expenditure

Transport assets	1,603,359	-
Infrastructure assets	2,695,744	-
	7,314,619	4,268,385

The table below indicates the Funding sources for the total Covid-19 response expenditure (excluding VAT):

Funding sources of COVID-19 expenditure

Own Revenue	884,567	3,941,585
Public contributions	919,911	28,800
Disaster Management Grant	-	298,000
Municipal Infrastructure Grant	1,211,038	-
Water Infrastructure Grant	4,299,103	-
	7,314,619	4,268,385

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52. Unauthorised expenditure

Opening balance as previously reported	96,945,336	96,945,336
Opening balance as restated	96,945,336	96,945,336
Add: Expenditure identified - current	16,372,664	-
Closing balance	113,318,000	96,945,336

The overspending of R16 372 664 under the Local Economic Development vote for the 2020/2021 financial year was due to depreciation of R27 888 298 compare to the budget of R2 060 730. Further detail on depreciation is disclosed in Note 3,4,5 and 6

Non -cash

Depreciation	25,827,568	-
Loss on disposal of Assets	535,325	-
	26,362,893	-

53. Fruitless and wasteful expenditure

Opening balance as previously reported	35,389,451	28,191,960
Opening balance as restated	35,389,451	28,191,960
Add: Expenditure identified - current	3,594,516	5,421,143
Add: Expenditure identified - prior period	-	1,776,348
Closing balance	38,983,967	35,389,451

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53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Analysis of expenditure

Sheriff Sasolburg - payment of interest	147,766	384,150
ESKOM - interest paid on the late payments of electricity accounts	22,113	269
Free State Provincial Government - late payment of license fees	51,798	383
Department of Water - interest on late payment	2,649,796	2,559,329
SARS: Penalty & Interest charged VAT 201 Rand Water	-	10,603
Safcrete -interest paid	-	332,453
Compensation Commissioner -interest	-	84,022
Auqa: Cost and interest paid to lawyers	-	194,667
Lizelle trust Interest 17/18	-	845,880
Lizelle trust Interest 18/19	-	930,468
Lizelle trust Interest 19/20	-	1,855,267
Lizelle trust Interest 20/21	219,361	-
Sheriff Pretoria - payment of interest	174,657	-
Sheriff Bloemfontein - payment of interest	54,107	-
Payment of acting allowance	5,690	-
Auditor General -payment of interest	63,187	-
Kramer Wiehmann -payment of cost	155,411	-
MI Greyer- Cost and interest paid to lawyers	50,630	-
	3,594,516	7,197,491

Disciplinary steps taken/criminal proceedings

The Sport stadium, Metsimaholo, R21 647 458.92 is disclosed Fruitless and Wasteful expenditure. The matter is under investigation and a report will be submitted to Council.

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54. Irregular expenditure		
Opening balance as previously reported	409,999,134	352,547,150
Opening balance as restated	409,999,134	352,547,150
Add: Irregular Expenditure - current	60,940,397	37,444,981
Add: Irregular Expenditure - prior period	9,784,005	20,007,003
Closing balance	480,723,536	409,999,134
Analysis of expenditure awaiting investigation		
Not submitting the minimum quotations for acquiring goods and services	758,264	618,241
Other (lowest quotation not selected, not on CSD, etc)	5,684,805	2,528,559
Contract / SLA expired i.e. exceeds three years, no valid approval for extension	18,280,969	16,114,747
Work performed without authorised order being issued/procedures followed	1,117,970	6,232,358
Regulation 32 Non- compliance (no cost/benefit analysis performed)	-	1,643,171
Not regarded/complied as deviations	31,539,681	10,307,905
Identified as per audit 2019	9,784,005	20,007,003
Non -compliance of SCM regulations	1,826,350	-
Member served on Bid Evaluation Committee as well as Bid Adjudication Committee	1,732,358	-
	70,724,402	57,451,984
55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	4,108,741	3,721,289
Amount paid - current year	(4,108,741)	(3,721,289)
	-	-
Distribution losses		
Bulk electricity and water losses in terms of Section 125(2)(d)(i) of MFMA. Refer to note 37		
Audit fees		
Opening balance	31,159	402,877
Current year subscription / fee	11,997,935	8,628,546
Interest charged	63,187	52,450
Amount paid - current year	(8,155,599)	(9,000,264)
Debt forgiven (interest waived)	-	(52,450)
	3,936,682	31,159
PAYE and UIF		
Opening balance	4,325,178	3,938,347
Current year subscription / fee	57,176,750	49,650,601
Amount paid - current year	(56,689,873)	(49,263,770)
	4,812,055	4,325,178

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

Pension and Medical Aid Deductions

Opening balance	3,409,934	-
Current year subscription / fee	82,720,323	75,964,649
Amount paid - current year	(83,005,608)	(72,554,715)
	3,124,649	3,409,934

VAT

VAT payable	21,576,715	8,026,417
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VAT output payables and VAT input receivables are shown in note 20.

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding more than 90 days	Total
Dywilli N N (Acc no 562734)	9,152	9,152
Kobo S S (Acc no 526816, 830352 and 872353)	21,203	21,203
Leotlele P R (Acc no 536637 and 592959)	25,717	25,717
Mahlaela P M (Acc no 108353)	12,095	12,095
Malindi M J (Acc no 536489)	1,005	1,005
Matwa S M (Acc no 566022,612908 and 872070)	10,132	10,132
Maseko M (Acc no 109049 ,590648)	56,119	56,119
Mofokeng TH (Acc no 537002)	611	611
Mokoena N (Acc no 565105 ,611209, 830981 and 791179)	22,401	22,401
Mosokweni F (Acc no 108066 and 830353)	56,869	56,869
Motloung TM (Acc no 100348)	27,984	27,984
Motaung T A (Acc no 574795)	13,024	13,024
Motjeane S (Acc no 106180)	149,762	149,762
Mtshali N M (Acc no 103466 and 562315)	28,972	28,972
Nkheloane M (Acc no 108037 and 592910)	56,320	56,320
Nnune J G (Acc no 512468)	5,441	5,441
Nteso SJ (Acc no 103104)	115,169	115,169
Poho M S (Acc no 589204)	3,141	3,141
Taats T (Acc no 553229)	16,278	16,278
Telane M M (Acc no 512521 and 872358)	106,909	106,909
Tsotetsi L J (Acc no 511192)	79,487	79,487
	817,791	817,791

30 June 2020	Outstanding more than 90 days	Total
Dywilli N N (Acc no 562734)	27,256	27,256
Kobo S S (Acc no 830352 and 872353)	28,520	28,520
Leotlele P R (Acc no 536637 and 592959)	23,354	23,354
Mahlaela P M (Acc no 108353)	10,678	10,678
Malindi M J (Acc no 595729)	5,340	5,340
Matwa S M (Acc no 59327 and 872070)	17,659	17,659
Maseko M (Acc no 109049 ,590648)	51,841	51,841
Mokoena N (Acc no 565105 , 594135 and 791179)	54,524	54,524
Motlhale S (Acc no 12921)	21,938	21,938
Mokoena P M (Acc no 568419)	8,171	8,171
Mosokweni F (Acc no 830353)	62,227	62,227
Motaung T A (Acc no 537934)	14,992	14,992
Motjeane S (Acc no 106180)	117,975	117,975
Mtshali N M (Acc no 103466)	40,024	40,024
Nkheloane M (Acc no 108037,575013 and 592910)	54,372	54,372
Nnune J G (Acc no 512468)	2,073	2,073
Poho M S (Acc no 589204)	10,341	10,341
Taats T (Acc no 553229)	7,459	7,459
Telane M M (Acc no 512521)	100,591	100,591
Tshongwe S L (Acc no 575987)	3,169	3,169
Tsotetsi L J (Acc no 511192)	74,876	74,876
	737,380	737,380

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed in note 56 have been condoned.

56. Deviation from supply chain management regulations

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

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

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Summary of deviations

Emergency	6,131,077	2,798,479
Other	-	216,518
Exceptional/unpractical	4,269,241	417,346
Sole suppliers	912,637	407,583
COVID 19 emergency	675,744	1,988,857
	11,988,699	5,828,783

57. Segment information

General information

Transitional provisions

GRAP 18 Segment Reporting became effective on 1 April 2020 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to present comparative segment information on initial adoption of GRAP 18.

The municipality is taking advantage of the transitional provisions by not presenting comparative segment information.

The municipality intends to fully apply the requirements of GRAP 18 by 30 June 2022.

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57. Segment information (continued)

Aggregated segments

Segmental Statement of Financial Performance: GFS Classification

2021 Segment	Actual income	Actual expenditure	Surplus / (deficit)
Governance and administration	-	-	-
Executive and Council	-	(50,217,367)	(50,217,367)
Finance and Administration	193,334,305	(216,459,731)	(23,125,426)
Internal Audit	-	(2,815,834)	(2,815,834)
Community and public safety	-	-	-
Community and Social Services	1,538,400	(5,405,545)	(3,867,145)
Sport and Recreation	5,245,160	(33,383,204)	(28,138,044)
Public Safety	5,196,844	(47,344,521)	(42,147,677)
Housing	233,144,178	5,706,648	238,850,826
Economic and environmental services	-	-	-
Planning and Development	3,071,769	(15,355,150)	(12,283,381)
Road Transport	14,534,869	(53,500,905)	(38,966,036)
Trading services	-	-	-
Energy Sources	344,183,870	(348,807,935)	(4,624,065)
Water Management	449,956,089	(390,113,094)	59,842,995
Waste Water Management	63,031,740	(50,019,392)	13,012,348
Waste Management	56,687,053	(44,598,834)	12,088,219
Other	-	(2,534,937)	(2,534,937)
	1,369,924,277	(1,254,849,801)	115,074,476

Segmental Statement of Financial Performance: Municipal Department Classification

2021	Department	Actual Income	Actual Expenditure	Surplus / (deficit)
Vote 1	Executive & Council	-	(43,022,581)	(43,022,581)
Vote 2	Municipal Manager	2,160,750	(61,772,755)	(59,612,005)
Vote 3	Corporate Services	2,187,880	(44,033,901)	(41,846,021)
Vote 4	Social Services	68,667,458	(130,686,672)	(62,019,214)
Vote 5	Technical Services	871,706,569	(856,165,239)	15,541,330
Vote 6	Financial services	417,279,064	(68,291,362)	348,987,702
Vote 7	Local Economic development and Planning	7,922,559	(50,877,294)	(42,954,735)
		1,369,924,280	(1,254,849,804)	115,074,476

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

The mandate of the municipality is to provide basic services to the community over which it governs. In order to execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective.

The following activities represent significant activities according to mandate service objectives:

- Energy sources - Electricity generation and distribution
- Waste management - Solid waste and waste water management
- Water - Water provision and treatment
- Road transport - Road infrastructure provision and maintenance
- No administrative charges to trading services are reflected

The following individually insignificant segments, with similar economic characteristics, have been aggregated for reporting purposes.

- Governance and administration
- Community and public safety
- Economic and environmental services
- Other

The municipality operates within the following geographical areas:

- Deneysville;
- Metsimaholo;
- Oranjeville;
- Refenggotso;
- Sasolburg;
- Viljoensdrift and
- Zamdela.

The municipality does however not monitor segments geographically.

The municipality monitors the following business units operating results separately for the purpose of making decisions about resource allocation and performance assessment.

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Housing	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total
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57. Segment information (continued)									
Revenue									
Revenue from non-exchange transactions	-	-	-	-	-	-	-	1	-
Property rates	219,706,632	-	-	-	-	-	(5,625,200)	-	214,081,432
Fines, penalties and forfeits	-	-	-	-	-	-	4,307,207	-	4,307,207
Licenses and permits (non-exchange)	-	-	-	-	-	-	9,970	-	9,970
Transfer and subsidies	-	14,533,041	16,565,190	19,170,914	25,854,280	26,575,123	193,394,527	-	296,093,075
Interest received -outstanding property rates	7,706,285	-	-	-	-	-	-	-	7,706,285
Revenue from exchange transactions	-	-	-	-	-	-	-	1	-
Service Charges	-	-	324,189,009	35,300,221	35,828,653	402,104,343	-	-	797,422,226
Sales of goods and rendering of services	-	1,828	-	-	6,504	-	9,236,589	-	9,244,921
Rental of facilities and equipment	5,731,262	-	-	-	-	-	184,721	-	5,915,983
Interest and dividends	-	-	3,429,671	2,111,758	1,342,303	21,276,623	6,395,698	-	34,556,053
Operational Revenue	-	-	-	-	-	-	146,207	-	146,207
Gains on other Operations	-	-	-	-	-	-	193,911	-	193,911
Gains on disposal of PPE	-	-	-	104,160	-	-	142,850	-	247,010
Total segment revenue	233,144,179	14,534,869	344,183,870	56,687,053	63,031,740	449,956,089	208,386,480	2	1,369,924,280
Entity's revenue									1,369,924,280

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57. Segment information (continued)									
Expenditure									
Employee related cost	6,051,840	20,318,888	19,225,369	32,849,817	12,124,875	19,030,124	222,380,818	-	331,981,731
Remuneration of councillors	-	-	-	-	-	-	19,379,735	-	19,379,735
Depreciation and Amortisation	16,960	27,979,717	12,272,115	2,661,819	9,605,617	38,678,560	32,924,001	-	124,138,789
Debt impairment	(12,248,804)	-	(8,291,567)	3,594,692	3,058,819	127,110,706	9,531,307	-	122,755,153
Finance costs and interest paid	-	31,671	38,348	(2,487,956)	7,493	2,654,791	514,300	-	758,647
Bulk purchases	-	-	311,989,111	-	-	195,596,829	-	-	507,585,940
Contracted Services	2,914	35,923	379,139	437,634	23,022,946	998,893	48,924,200	-	73,801,649
Inventory consumed	60,831	3,967,787	4,002,001	3,396,177	1,144,562	2,422,390	4,326,332	-	19,320,080
Transfers and subsidies	-	-	-	-	-	-	97,715	-	97,715
Lease rentals on operating lease	-	560,989	-	2,305,429	6,200	519,337	833,449	-	4,225,404
Operating expenditure	404,812	595,495	8,688,659	1,765,042	1,037,160	3,090,786	33,212,422	-	48,794,376
Loss on disposal of Property, Plant and Equipment	4,800	10,437	504,761	76,182	11,721	10,679	1,392,008	-	2,010,588
Total segment expenditure	(5,706,647)	53,500,907	348,807,936	44,598,836	50,019,393	390,113,095	373,516,287	-	1,254,849,807
Total segmental surplus/(deficit)									115,074,473
Assets									
Inventories	-	-	-	-	-	564,551	782,323	-	1,346,874
Receivables from exchange transactions	-	-	88,600,318	14,848,793	13,354,358	180,191,883	33,024,893	-	330,020,245
Statuary receivables from non-exchange transactions	94,193,491	-	-	-	-	-	-	-	94,193,491
Property Plant and Equipment	65,694	243,427,824	223,504,903	10,161,396	228,566,720	264,038,240	191,145,567	-	1,160,910,344
Total segment assets	94,259,185	243,427,824	312,105,221	25,010,189	241,921,078	444,794,674	224,952,783	-	1,586,470,954

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57. Segment information (continued)									
Fruitless and wasteful expenditure									18,451,758
Receivables from non- exchange transactions									15,079,458
Other financial assets									2,842,520
Cash and cash equivalents									48,132,763
Non current: Receivables from exchange Investment Properties									1,845,746
Intangible assets									240,181,961
Heritage Assets									3,631,697
									4,427,968
Total assets as per Statement of financial Position									1,921,064,825
Liabilities									
Payables from exchange transactions	-	-	56,977,956	-	-	72,139,383	171,730,378	-	300,847,717
Consumer deposits	-	-	3,506,732	-	-	21,888,248	1,510,103	-	26,905,083
Non-current provisions	-	-	-	86,063,312	-	-	-	-	86,063,312
Total segment liabilities	-	-	60,484,688	86,063,312	-	94,027,631	173,240,481	-	413,816,112
Current: Finance lease obligation									492,810
VAT Payable									21,576,714
Current: Employee Benefit Obligation									4,356,313
Unspent condition grants and receipts									272,563
Non- Current: Finance lease obligation									37,618
Non- Current: Employee Benefit Obligation									57,882,411
Total liabilities as per Statement of financial Position									498,434,541

58. Budget differences

Material differences between budget and actual amounts

Statement of financial performance:

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58. Budget differences (continued)

1. Service charges:

- Electricity sales for schools, churches and for holiday resorts were affected due to restrictions of lockdown (COVID 19) with a collection percentage of 51.18%. Connection of new fees, reconnection of electricity and electricity sales for water pumps were also affected as the collection amount is less than the budgeted amounts.

Water restrictions contributed to lower revenue on water as well as certain areas that used water without being billed. Meter readings not taken due to lock down of COVID 19. Collection of water industrials and connection/reconnection were affected as the collections amount is less than the budgeted amounts.

Collection from sewerage and refuse services were higher than the budget

2. Licenses and permits - The money collected on licenses and street trading was less than the budgeted amount due to difficult economic challenges and COVID-19 affecting most of traders for operations.

3. Other income – Selling of stands were lower than anticipated in the budget. Entrance fees were lower due to the close of the resorts from end of March 2020 and rental of halls due to the COVID-19 lockdown

4. Collection from approval of building plans were lower than anticipated in the budget.

5. Interest received - Interest received on investments and dividends on external investments were higher than the budget.

6. Dividends on the Sanlam Pty Ltd shares were higher than anticipated.

7. Property Rates – Rates on vacant land was less than the budget. The new valuation was implemented from 1 July 2019 and classified between categories.

8. Government grants and subsidies - less than the budget due to the R30 800 000 from MIG and WSIG that was withheld and receiving less money the Equitable share. The spending on projects financed by MIG and WSIG were not completed. Not all the grants were paid over.

9. Public contributions and donations - the budget did not anticipate the extent of the donations received as these are inherently difficult to predict.

10. Fines revenue was significantly lower than the budget, as the municipality was unable to issue cameras based on fines during the year. No system was implemented for the collection of fines. Court fines and penalties for tender withdrawals were lower than the budgeted amount.

11. Employee costs were lower than budgeted as many key management positions and general vacancies were not filled during the year. Directors were not appointed in the financial year.

12. The councilors' remuneration actual expenditure was lower than the budgeted amount. No increase for councilors was implemented.

13. Depreciation - a number of significant assets were brought in during the asset verification exercise. The life span of assets was reduced.

14. Spending on MIG COVID-19 expenditure was lower, as the whole allocation was not fully spent on protective clothing and sanitizers.

15. Finance cost - the actual was higher than the budgeted amount. The interest on late payments of service providers and other legal interests.

16. Lease rental on operating lease – the actual amount was lower than the budgeted amount. Control over expenditure and the lockdown due to COVID-19 result in lower expenditure.

17. Non-payment by debtors lead to a higher impairment budget. However, the impairment calculation impaired indigent debtors at 100%. The calculation of debt impairment was lower than anticipated.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

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2020

58. Budget differences (continued)

18. Water purchased were lower than the budgeted amount by 84.76% and electricity purchases were higher than the budgeted amount by 100.26%. A national lockdown was enforced from end of March 2020. It result in businesses and industries either scale down or closed for a period or permanent. This resulted in a lower demand for water supply. The growth in supply of electricity also did not realized.

19. Transfers and subsidies were lower than the budgeted amount due to bursaries that were paid during the year and 94.06% for pauper burial costs.

20. Due to cost containment measures, the spending on contracted services was lower than budgeted at 81.63%. The cash flow as well as the lockdown also contribute to lower expenditure.

21. Spending on bursaries for employees was lower than the budgeted amount at 34.16%.

Statement of Financial Position

22. The Stores sections was not fully in operation as problems were experienced with the fuel pumps and security systems not in place.

23. The collection rate was lower than anticipated due to COVID 19 and the implementation of Operation Patala that was not successful. The method of calculation of impairment of consumer debtors result in lower impairment.

24. Corrections were done on all categories in the fixed asset register.

25. The spending of grants were slow and due to cash constrains other capital projects were not implemented.

26. Payables from exchange transactions increase due to arrangement with ESKOM. Provision is also made for Compensation Commissioner as no assessment is received since 2016.

27. Unspent grants was not anticipated. Grant spending on capital projects were slow.

28. The budget figures as per budget are different classified and therefor create problems to budget accurate for VAT.

29. There was budget to take up external loans for borrowing to finance capital projects but was no implemented.

30. No new finance leases were taken up as Council requested to stop the process.

31. Accumulated decrease as back pay on employee benefits were done as well as late submission of invoices for services/goods delivered.

Metsimaholo Local Municipality

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59. Accounting by principals and agents

Details of the arrangements are as follows: Details of the arrangements are as follows:

Municipal as agent	Other Party in agreement	Purpose of arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Principal	Utilities World	Prepaid electricity vendor	Metismaholo Local requires a prepayment vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7days a week, 365 days a year basis. No changes during reporting period.
Principal	Easypay	Municipal account payment	That the Municipality's accounts for services owed by customers be paid at the various Collectors and Easy will accept payments on the Municipality's behalf and pay over to the Municipality at a collection cost.	Funds shall be transferred daily in a consolidated total via ACM transfer to the Municipality's nominated bank account No changes during the reporting period.

Entity as principal

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

No assets or liabilities of Metsimaholo Municipality are under the custodianship of Utilities or Easypay.

Fee paid

Fees paid as compensation to the agent

Commission paid

Utilities world -prepaid electricity vendor	5,865,978	6,971,943
Easypay - Municipal account payment	1,060,680	1,019,406
	6,926,658	7,991,349

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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59. Accounting by principals and agents (continued)

There are no resource or cost implications for the municipality if the arrangements are terminated.

Metsimaholo Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2021

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
			Sept	Dec	March	June	0	Sept	Dec	March	June	0	Sept	Dec	March	June			
SETA	LGSETA	-	-	88	129	273	-	-	-	-	499	-	-	1	-	-		Yes	
Local Government Financial Management Grant	National Treasury	-	2,500	-	-	-	-	200	1,707	319	274	-	-	-	-	-		Yes	
Expanded Public Works Programme Integrated Grant for Municipalities	National Treasury	-	332	597	398	-	-	393	369	445	120	-	-	-	-	-		Yes	
Water Services Infrastructure Grant	National Treasury	-	11,750	-	-	-	-	795	-	-	10,955	-	-	13,034	-	-	Slow spending in 2019/202. Only R9million unspent but R13m withheld	Yes	
Municipal Infrastructure Grant	National Treasury	-	14,801	-	16,821	-	-	3,785	5,920	1,779	20,138	-	-	17,801	-	-	Slow spending in 2019/2020	Yes	
Integrated National Electrification Programme Grant (INEG)	National Treasury	-	-	5,000	4,092	-	-	448	4,175	-	4,467	-	-	-	-	-		Yes	
Regional Bulk Infrastructure Grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	29,383	5,685	21,440	273	-	5,621	12,171	2,543	36,453	-	-	30,836	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.