



**MARULENG LOCAL MUNICIPALITY**  
(Registration number LIM 335)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Nature of business and principal activities

South African Grade 3 Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) within the Mopani District Municipal Area of Jurisdiction

### Mayor

Cllr HM Thobejane

### Chief Whip

Cllr ML Mongadi

### Speaker

Cllr MJ Mahlo

### Councillors

Cllr MJ Rakgoale (Exco Member)  
Cllr NM Lewele (Exco Member)  
Cllr MR Maakamela (Exco Member)  
Cllr PE Shai (Exco Member)  
Cllr B Mohlabe  
Cllr DM Sebela  
Cllr EC Du Preez  
Cllr JT Morema  
Cllr LV Shaai  
Cllr MA Mathaba  
Cllr MD Popela  
Cllr MF Madike  
Cllr MJ Modiba  
Cllr MM Komane  
Cllr MO Mathipa  
Cllr MR Malepe  
Cllr MS Kgohloane  
Cllr MT Mongadi  
Cllr SC Shokane  
Cllr SF Mahlo  
Cllr SL Mkansi  
Cllr SV Mametja  
Cllr TD Mogale  
Cllr MP Matlho

### Accounting Officer

Mr TG Magabane

### Registered office

Maruleng Municipal Offices  
65 Springbok Street  
Hoedspruit

### Business address

65 Springbok Street  
Hoedspruit  
1380

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Postal address</b>	PO Box 627 Hoedspruit
<b>Telephone Number</b>	015-793 2409
<b>Website</b>	<a href="http://www.maruleng.gov.za">www.maruleng.gov.za</a>
<b>Auditors</b>	Auditor-General of SA (AGSA)
<b>Bankers</b>	Standard bank   Investec Bank
<b>Audit Committee members</b>	Mr L Lankalebalela (Chairperson) Mr K Mosupa Ms MP Ramutsheli Mr T Nonyane Ms JM Mabuza

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COID	Compensation for Occupational Injuries and Diseases
AGSA	Auditor General of South Africa
VAT	Value Added Tax
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
COVID-19	Coronavirus disease of 2019
CPI	Consumer price index
DORA	Division of Revenue Act
EPWP	Expanded public works programme
PAYE	Pay-as-you-earn
SALGA	South African Local Government Association
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
IPSAS	International Public Sector Accounting Standards
ASB	Accounting Standards Boards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal standard chart of accounts
MPAC	Municipal Public Accounts Committee
SARS	South African Revenue Services

# MARULENG LOCAL MUNICIPALITY

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## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 7 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

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**Mr TG Magabane**  
**ACCOUNTING OFFICER - Municipal Manager**



## **Report of the Auditor General**

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To the Provincial Legislature of MARULENG LOCAL MUNICIPALITY

Auditor-General of SA (AGSA)

30 November 2021

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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The accounting officer submits his report under review.

### 1. Review of activities

#### Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in south african grade 3 municipality (local municipality) as defined by the municipal structures act. (act no 117 of 1998) within the mopani district municipal area of jurisdiction. The municipality operates principally in South Africa and [state other countries].

Net surplus of the municipality was R 131 417 146 (2020: surplus R 86 630 883).

### 2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 807 097 821 and that the municipality's total assets exceed its liabilities by R 807 097 821.

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.

During the current financial year end, the world experienced the outbreak of the COVID-19 pandemic. This has had a negative impact on many economies as governments have ordered their citizens to stay at home, including South Africa.

The South African government ordered a national lockdown for 21 days, starting on Friday 27 March 2020 which was subsequently extended and relaxed in May 2020. As a result, all government institutions including municipalities and services will be closed during this time.

The closure of municipalities had a negative impact on revenue from non exchange transactions, however, the impact on gross profit will be much smaller as the margins on revenue from no exchange transactions are small.

From a basic service service perspective, all key staff are able to work under the controlled regulations issued by the office of the president and hence management do not anticipate any disruption to operations.

Management believe the municipality is in a strong financial and liquidity position to see through this pandemic and expect that COVID-19 will have not have a negative impact on the company's net profit or cash flow position.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the period under review.

### 4. Accounting Officer's interest in contracts

The accounting officer declares not to have any interest in contracts of the municipality.

### 5. Accounting policies

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

The impact on the results of the municipality in adopting the above policies is reflected in note - to the annual financial statements.



# MARULENG LOCAL MUNICIPALITY

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## Accounting Officer's Report

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### 6. Accounting Officer

The position of the accounting officer of the municipality during the financial period under review were held by:

Name  
Mr TG Magabane

Nationality  
South African

### 7. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all municipal activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Councillors

The council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee
  - Ordinary councillors.

#### Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The mayor and council perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

#### Audit committee

Mr L Lankalebalele was the Chairperson of the audit committee. The audit committee met during the period under review to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors onto the audit committee.

### 8. Bankers

The municipality banks with Standard Bank of South Africa and Investec Bank.

### 9. Auditors

The Auditor-General of SA (AGSA) will continue as the municipality's external auditors as prescribed by the Auditor-General Act (Act no 12 of 1995).

# MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	104 360	62 631
Receivables from exchange transactions	4	2 585 627	1 110 350
Receivables from non-exchange transactions	5	33 083 687	21 833 555
VAT receivable	6	29 055 178	10 195 707
Prepayments	47	17 000 000	-
Other receivables	7	1 654 649	1 703 629
Cash and cash equivalents	8	123 898 082	146 051 034
		<b>207 381 583</b>	<b>180 956 906</b>
<b>Non-Current Assets</b>			
Investment property	9	8 950 000	8 950 000
Property, plant and equipment	10	646 132 971	538 083 345
Intangible assets	11	137 932	150 409
Heritage assets	12	372 500	372 500
		<b>655 593 403</b>	<b>547 556 254</b>
<b>Total Assets</b>		<b>862 974 986</b>	<b>728 513 160</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	13	752 586	1 700 943
Payables from exchange transactions	14	30 996 295	29 206 053
Trade and other payables from non exchange transactions	15	4 367 778	4 723 685
Employee benefit obligation	16	456 000	272 000
Unspent conditional grants and receipts	17	32 058	1
Provisions	18	10 634 442	9 486 919
		<b>47 239 159</b>	<b>45 389 601</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	-	752 585
Employee benefit obligation	16	8 638 000	6 641 000
		<b>8 638 000</b>	<b>7 393 585</b>
<b>Total Liabilities</b>		<b>55 877 159</b>	<b>52 783 186</b>
<b>Net Assets</b>		<b>807 097 827</b>	<b>675 729 974</b>
Accumulated surplus		807 097 821	675 729 967

\* See Note 50

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## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	28	3 979 418	3 736 237
Rental of facilities and equipment	20	836 506	255 567
Interest on receivables	26	380 308	31 366
Agency services	21	2 587 946	1 894 296
License and permits	22	2 452 458	1 776 843
Other revenue	27	2 262 505	1 955 154
Interest received - investment	19	4 163 418	7 296 691
Gain on disposal of assets and liabilities	37	621 956	-
<b>Total revenue from exchange transactions</b>		<b>17 284 515</b>	<b>16 946 154</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	29	108 863 504	91 081 510
Donation of other assets		-	6 812
Fines, Penalties and Forfeits	25	2 949 584	532 800
Interest on receivables	26	11 736 215	8 802 347
<b>Transfer revenue</b>			
Government grants & subsidies - Operating	30	162 391 000	127 654 192
Government grants & subsidies - Capital	30	46 295 943	26 816 919
<b>Total revenue from non-exchange transactions</b>		<b>332 236 246</b>	<b>254 894 580</b>
<b>Total revenue</b>		<b>349 520 761</b>	<b>271 840 734</b>
<b>Expenditure</b>			
Employee related costs	31	(75 480 918)	(66 648 046)
Remuneration of councillors	48	(11 119 712)	(11 101 437)
Depreciation and amortisation	32	(21 525 932)	(20 459 544)
Impairment loss	33	(421 257)	(2 416 663)
Finance costs	34	(744 067)	(1 270 257)
Debt Impairment	36	(38 691 169)	(29 402 173)
Bad debts written off		(823 220)	-
Contracted services	49	(19 208 220)	(16 009 097)
Loss on disposal of assets and liabilities	37	-	(607 600)
General Expenses	35	(49 535 022)	(43 525 859)
<b>Total expenditure</b>		<b>(217 549 517)</b>	<b>(191 440 676)</b>
Actuarial Gains / (Losses)	16	(554 098)	6 230 825
<b>Surplus for the year</b>		<b>131 417 146</b>	<b>86 630 883</b>

\* See Note 50

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2019</b>	<b>589 099 084</b>	<b>589 099 084</b>
Changes in net assets		
Surplus for the year	86 630 883	86 630 883
Total changes	86 630 883	86 630 883
Opening balance as previously reported	678 137 663	678 137 663
Prior year adjustments	(2 456 988)	(2 456 988)
<b>Restated* Balance at 01 July 2020 as restated*</b>	<b>675 680 675</b>	<b>675 680 675</b>
Changes in net assets		
Surplus for the year	131 417 146	131 417 146
Total changes	131 417 146	131 417 146
<b>Balance at 30 June 2021</b>	<b>807 097 821</b>	<b>807 097 821</b>
Note(s)	Correction of prior year errors <sup>50</sup>	

\* See Note 50

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## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and service charges		48 031 180	65 824 491
Grants and subsidies		208 719 000	154 466 000
Interest income		16 279 941	16 130 404
Other receipts		4 850 451	3 849 450
		277 880 572	240 270 345
<b>Payments</b>			
Employee costs		(85 774 321)	(69 698 160)
Suppliers		(64 733 766)	(64 975 438)
Finance costs		-	-
Interest paid		(1 462 114)	(2 428 394)
Other payments		(17 000 000)	-
		(168 970 201)	(137 101 992)
<b>Net cash flows from operating activities</b>	<b>38</b>	<b>108 910 371</b>	<b>103 168 353</b>
		108 910 371	103 168 353
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and other assets	10	(129 362 382)	(92 834 200)
Movement intangible assets	11	-	-
<b>Net cash flows from investing activities</b>		<b>(129 362 382)</b>	<b>(92 834 200)</b>
<b>Cash flows from financing activities</b>			
Financial liability		(1 700 942)	(1 486 963)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(22 152 953)</b>	<b>8 847 190</b>
Cash and cash equivalents at the beginning of the year		146 051 051	137 203 861
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>123 898 098</b>	<b>146 051 051</b>

\* See Note 50

# MARULENG LOCAL MUNICIPALITY

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## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Service charges-refuse revenue	3 916 306	130 778	<b>4 047 084</b>	3 979 418	<b>(67 666)</b>	
Rental of facilities and equipment	408 289	-	<b>408 289</b>	836 506	<b>428 217</b>	
Interest on receivables	4 263 255	-	<b>4 263 255</b>	380 308	<b>(3 882 947)</b>	
Agency services	11 241 895	2 489 518	<b>13 731 413</b>	2 587 946	<b>(11 143 467)</b>	
License and permits	2 857 030	-	<b>2 857 030</b>	2 452 458	<b>(404 572)</b>	
Other revenue	3 096 008	245 895	<b>3 341 903</b>	2 262 505	<b>(1 079 398)</b>	
Interest earned - external investments	8 151 000	-	<b>8 151 000</b>	4 163 418	<b>(3 987 582)</b>	
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>33 933 783</b>	<b>2 866 191</b>	<b>36 799 974</b>	<b>16 662 559</b>	<b>(20 137 415)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	98 229 297	-	<b>98 229 297</b>	108 863 504	<b>10 634 207</b>	
Traffic fines	415 993	-	<b>415 993</b>	2 949 584	<b>2 533 591</b>	
Interest on receivables	11 495 000	-	<b>11 495 000</b>	11 736 215	<b>241 215</b>	
<b>Transfer revenue</b>						
Government grants & subsidies - Operating	136 484 000	25 907 000	<b>162 391 000</b>	162 391 000	-	
Government grants & subsidies - Capital	26 655 000	19 673 001	<b>46 328 001</b>	46 295 943	<b>(32 058)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>273 279 290</b>	<b>45 580 001</b>	<b>318 859 291</b>	<b>332 236 246</b>	<b>13 376 955</b>	
<b>Total revenue</b>	<b>307 213 073</b>	<b>48 446 192</b>	<b>355 659 265</b>	<b>348 898 805</b>	<b>(6 760 460)</b>	
<b>Expenditure by type</b>						
Employee related costs	(83 400 821)	6 155 842	<b>(77 244 979)</b>	(75 480 918)	<b>1 764 061</b>	
Remuneration of councillors	(12 289 802)	(16 002)	<b>(12 305 804)</b>	(11 119 712)	<b>1 186 092</b>	
Depreciation, amortisation and impairment of assets	(26 740 745)	-	<b>(26 740 745)</b>	(21 947 189)	<b>4 793 556</b>	
Finance charges	(800 000)	-	<b>(800 000)</b>	(744 067)	<b>55 933</b>	
Debt impairment	(14 000 000)	(4 600 000)	<b>(18 600 000)</b>	(38 691 169)	<b>(20 091 169)</b>	
Bad debts written off	-	-	-	(823 220)	<b>(823 220)</b>	
Contracted services	(18 457 500)	(2 742 500)	<b>(21 200 000)</b>	(19 208 220)	<b>1 991 780</b>	
Other expenditure	(63 543 020)	(3 390 517)	<b>(66 933 537)</b>	(47 597 737)	<b>19 335 800</b>	
Bulk purchases	(1 500 000)	750 000	<b>(750 000)</b>	(651 943)	<b>98 057</b>	
Other materials	(5 300 000)	(780 000)	<b>(6 080 000)</b>	(1 285 342)	<b>4 794 658</b>	
<b>Total expenditure</b>	<b>(226 031 888)</b>	<b>(4 623 177)</b>	<b>(230 655 065)</b>	<b>(217 549 517)</b>	<b>13 105 548</b>	
<b>Surplus/ (Deficit)</b>	<b>81 181 185</b>	<b>43 823 015</b>	<b>125 004 200</b>	<b>131 349 288</b>	<b>6 345 088</b>	
Loss on disposal of assets and liabilities	(2 682 832)	-	<b>(2 682 832)</b>	621 956	<b>3 304 788</b>	
Actuarial gains/losses	-	-	-	(554 098)	<b>(554 098)</b>	

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## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	<b>(2 682 832)</b>	<b>-</b>	<b>(2 682 832)</b>	<b>67 858</b>	<b>2 750 690</b>	
<b>Surplus/ (Deficit) for the year</b>	<b>78 498 353</b>	<b>43 823 015</b>	<b>122 321 368</b>	<b>131 417 146</b>	<b>9 095 778</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>78 498 353</b>	<b>43 823 015</b>	<b>122 321 368</b>	<b>131 417 146</b>	<b>9 095 778</b>	

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## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	52 805	1 712 520	<b>1 765 325</b>	104 360	<b>(1 660 965)</b>	
Receivables from exchange transactions	9 390 221	(3 369 222)	<b>6 020 999</b>	2 585 627	<b>(3 435 372)</b>	
Receivables from non-exchange transactions	18 135 933	13 900 000	<b>32 035 933</b>	33 083 687	<b>1 047 754</b>	
VAT receivable	9 000 357	5 000 000	<b>14 000 357</b>	29 055 178	<b>15 054 821</b>	
Prepayments	-	-	-	17 000 000	<b>17 000 000</b>	
Other receivables	1 727 074	2 707	<b>1 729 781</b>	1 654 649	<b>(75 132)</b>	
Cash and cash equivalents	118 352 452	2 460 717	<b>120 813 169</b>	123 898 082	<b>3 084 913</b>	
	<b>156 658 842</b>	<b>19 706 722</b>	<b>176 365 564</b>	<b>207 381 583</b>	<b>31 016 019</b>	
<b>Non-Current Assets</b>						
Investment property	8 950 000	-	<b>8 950 000</b>	8 950 000	-	
Property, plant and equipment	549 958 765	16 245 136	<b>566 203 901</b>	646 132 971	<b>79 929 070</b>	
Intangible assets	936 712	400 000	<b>1 336 712</b>	137 932	<b>(1 198 780)</b>	
Heritage assets	372 500	-	<b>372 500</b>	372 500	-	
	<b>560 217 977</b>	<b>16 645 136</b>	<b>576 863 113</b>	<b>655 593 403</b>	<b>78 730 290</b>	
<b>Total Assets</b>	<b>716 876 819</b>	<b>36 351 858</b>	<b>753 228 677</b>	<b>862 974 986</b>	<b>109 746 309</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	3 933 707	-	<b>3 933 707</b>	752 586	<b>(3 181 121)</b>	
Payables from exchange transactions	30 541 113	25 105 985	<b>55 647 098</b>	30 996 295	<b>(24 650 803)</b>	
Trade and other payables from non exchange transactions	1 815 333	(800 000)	<b>1 015 333</b>	4 367 778	<b>3 352 445</b>	
Employee benefit obligation	-	-	-	456 000	<b>456 000</b>	
Unspent conditional grants and receipts	16	(16)	-	32 058	<b>32 058</b>	
Provisions	7 297 953	-	<b>7 297 953</b>	10 634 442	<b>3 336 489</b>	
	<b>43 588 122</b>	<b>24 305 969</b>	<b>67 894 091</b>	<b>47 239 159</b>	<b>(20 654 932)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	15 963 062	-	<b>15 963 062</b>	8 638 000	<b>(7 325 062)</b>	
<b>Total Liabilities</b>	<b>59 551 184</b>	<b>24 305 969</b>	<b>83 857 153</b>	<b>55 877 159</b>	<b>(27 979 994)</b>	
<b>Net Assets</b>	<b>657 325 635</b>	<b>12 045 889</b>	<b>669 371 524</b>	<b>807 097 827</b>	<b>137 726 303</b>	
<b>Net Assets</b>						
<b>Community Wealth/ Equity</b>						
Accumulated surplus	657 325 635	12 045 889	<b>669 371 524</b>	807 097 827	<b>137 726 303</b>	



# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## Statements 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
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates	87 118 716	(15 000 000)	<b>72 118 716</b>	47 925 725	<b>(24 192 991)</b>
Service charges	3 328 872	(2 264 587)	<b>1 064 285</b>	-	<b>(1 064 285)</b>
Other revenue	23 672 510	-	<b>23 672 510</b>	4 850 451	<b>(18 822 059)</b>
Government grants - Operating	134 584 008	27 806 992	<b>162 391 000</b>	208 719 000	<b>46 328 000</b>
Government grants - capital	26 655 000	19 673 001	<b>46 328 001</b>	-	<b>(46 328 001)</b>
Interest	-	8 151 000	<b>8 151 000</b>	16 279 941	<b>8 128 941</b>
	<b>275 359 106</b>	<b>38 366 406</b>	<b>313 725 512</b>	<b>277 775 117</b>	<b>(35 950 395)</b>

##### Payments

Suppliers and employees	(184 491 143)	(23 177)	<b>(184 514 320)</b>	(150 402 631)	<b>34 111 689</b>
Finance costs	-	(800 000)	<b>(800 000)</b>	(1 462 114)	<b>(662 114)</b>
Other payments	-	-	-	(17 000 000)	<b>(17 000 000)</b>
	<b>(184 491 143)</b>	<b>(823 177)</b>	<b>(185 314 320)</b>	<b>(168 864 745)</b>	<b>16 449 575</b>

<b>Net cash flows from/ (used) operating activities</b>	<b>90 867 963</b>	<b>37 543 229</b>	<b>128 411 192</b>	<b>108 910 372</b>	<b>(19 500 820)</b>
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#### Cash flows from investing activities

Proceeds from sale of property, plant and equipment	(2 682 832)	-	<b>(2 682 832)</b>	-	<b>2 682 832</b>
Purchase of capital assets	(171 219 422)	(2 681 818)	<b>(173 901 240)</b>	(129 362 382)	<b>44 538 858</b>

<b>Net cash flows from investing activities</b>	<b>(173 902 254)</b>	<b>(2 681 818)</b>	<b>(176 584 072)</b>	<b>(129 362 382)</b>	<b>47 221 690</b>
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#### Cash flows from financing activities

Movement in consumer deposits	(254 602)	254 602	-	-	-
Repayment of shareholders' loan	1 071 504	-	<b>1 071 504</b>	-	<b>(1 071 504)</b>
Finance lease payments	-	-	-	(1 700 942)	<b>(1 700 942)</b>

<b>Net cash flows from financing activities</b>	<b>816 902</b>	<b>254 602</b>	<b>1 071 504</b>	<b>(1 700 942)</b>	<b>(2 772 446)</b>
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Net increase/(decrease) in cash and cash equivalents	(82 217 389)	35 116 013	<b>(47 101 376)</b>	(22 152 952)	<b>24 948 424</b>
Cash and cash equivalents at the beginning of the year	195 680 106	(8 092 564)	<b>187 587 542</b>	146 051 034	<b>(41 536 508)</b>

<b>Cash and cash equivalents at the end of the year</b>	<b>113 462 717</b>	<b>27 023 449</b>	<b>140 486 166</b>	<b>123 898 082</b>	<b>(16 588 084)</b>
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#### Material differences between budget and actual amount

The comparison of the Municipality's actual financial performance with the budgeted is set out in the statement of comparison of budget and actual amounts.

The budget is approved on an accrual basis using a classification based on the nature of expenses. The approved budget covers the period from 01 July 2020 to 30 June 2021. The format and classification schemes adopted for presentation of the approved budget for the financial year slightly differ from the format and classification adopted for the financial statements.

Budget reporting occurred in accordance with the Municipal Standard Charts of Accounts (mSCOA) classification scheme.

# MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2021

## Statements of Comparison of Budget and Actual Amounts

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

Significant format differences are on the cashflow and where applicable, management aligned the budget to the format of the financial statements.

Changes from the approved budget to the final budget.

The changes between the approved and final budget are as a consequence of adjustments and roll-over of grants.

Variance of 10% or more are explained as set out below.

### Statement of financial performance

#### Revenue

##### Property rates - 11%

The accumulated billing is due to monthly Supplementary Valuations that are inclusive of the following, Re- Zoning of properties, Market value adjustments of the under- valued properties, Newly established properties, New developments and Improved properties.

##### Agency services - 81%

The revenue and expenditure budgets for agencies is reflected on separate line items. People from neighbouring municipalities ( fetakgomo tubatse, phalaborwa, Bushbuckridge etc.) are flocking to Maruleng Municipality due to good services that we are providing, these happened before March 2020.

##### Interest received on debtors - 91%

Due to the pandemic, the municipality experienced a high rate of non-rates and taxes, Maruleng Municipality is a tourism hub on which most of the properties are lodges, since the beginning of the year, the municipality did not experience a high level of tourism visiting the area.

##### Interest on external investment - 49%

The municipality made deposits into the investment account and as a result there was an increase in interest earned. The interest rates are too low.

##### Rental of facilities and equipment - 105%

Previously the billing escalation on the service level agreement was not implemented due to oversight, it has since been implemented as of the current financial year.

##### Licence and permits - 14%

The number of learners licence applicants has decreased due to covid 19 pandemic, there were time were offices had closed as a result of covid 19 cases. The number of learners tested per day had to reduce to 50% due to social distancing.

##### Other revenue - 32%

Less application for town planning and building plans due to slow development in tourism industries affected by covid 19 pandemic.

##### Traffic fines - 609%

Adherence to work schedule, intensification of law enforcement and had joint operations with other stakeholders e.g. SAPS.

##### Actuarial gains - 100%

The effect of the changes on the medical aid assumption has unexpected increases in the subsidies and unpredicted

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Figures in Rand

movements in the membership profile.

### EXPENDITURE

#### Employee related costs - 2%

There was a delay in the appointment of top level management positions, subsequently there were terminations at the end of financial year. There was no salary increase for sec 54 and 56 managers as a result of directive from SALGA.

#### Remuneration for councillors - 10%

The budget was based on the anticipated Upper Limits however there was no directive from SALGA to effect the implementation.

#### Debt impairment - 108%

Inadequate adherence of revenue enhancement strategy resulting in an increase of the provision for doubtful debts. The municipality has an increase in number of debtors whose accounts are in arrears for a period of 120 days and more.

#### Depreciation and amortisation - 18%

There was a delay in some of the projects which were expected to be completed in 2020/21 and those project are still in WIP (those projects are Maruleng indoor sports center, Balloon access road and Calais sports field).

#### Loss on disposal of assets - 123%

The municipality managed to auction some of movable assets for 2020/21 financial year, the budget was not estimated

#### Contracted services - 10%

As part of expenditure cost containment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on some of the line items.

#### Other Expenses - 29%

As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes.

#### Bulk Purchase - 13%

Less electricity was purchased in the current year, municipality exercised restraint on expenditure.

#### Other materials - 79%

As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on expenditure in the current year.

#### Bad debts - 100%

The municipality does not budget for bad debts.

### STATEMENT OF FINANCIAL POSITION

#### Receivables from exchange transactions - 57%

New tariffs for 2020/21 were approved by council, which led to an increase in rates of services. On the MBRR the budget is recorded as consumer debtors which include receivable from exchange transaction and receivable from non-exchange

# MARULENG LOCAL MUNICIPALITY

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## Statements of Comparison of Budget and Actual Amounts

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Figures in Rand

transactions.

### Receivables from non - exchange transactions - 3%

Compilation of Supplementary Valuation that is conducted monthly and Supplementary Valuation Roll.

### Other debtors - 4%

On the MBRR/budget other debtors consists of vat receivable and other debtors. Salary suspense account were not 100% cleared.

### VAT receivable - 108%

Vat returns for 2021 was claimed in 2022 financial period.

### Inventory - 94%

Lots of stock at hand was utilised during 2020/21.

### Cash and Cash equivalents - 3%

The municipality expected to receive more on cash when they do budgeting however the covid 19 affected the process. The covid 19 relief fund assists in the process as a result the municipality was not severely distressed financially.

### Intangible assets - 90%

There was a delay in procurement of IT equipment.

### Payable from exchange transactions - 44%

A lot of the projects for 2020/21 were under construction, which lead to more unpaid retention and accruals.

### Prepayments - 100%

The acquired property has not yet been registered as it awaiting registration at the deeds office.

### Payable from non-exchange transactions - 330%

The municipality had a lot of deposits for building plans and community halls which was remaining in our book as outstanding creditors, the money is only paid to the customer after the municipality receiving completion certificates from building unit.

### Unspent conditional grants - 100%

The municipality spent 99.99% on the conditional grants.

### Provisions- Current liabilities - 46%

The Basic Condition for Employment act (BCEA) rating was used to calculate leave provision. Before the BCEA rating, the number of days and salaries were used to calculate provision. The BCEA rating considers additional factors like acting allowance, overtime.

### Provisions - Employee benefit obligation - 46%

Post medical aid was decreased in the assumed proportion of in service. Members who continue their medical membership at and after retirement.

### Finance Lease obligation - 81%

# MARULENG LOCAL MUNICIPALITY

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## Statements of Comparison of Budget and Actual Amounts

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Figures in Rand						

The budget for this item was understated.

### CAPITAL EXPENTURE

The municipality managed to spend 78% of the total capital budget, There was a delay in completion of some of the projects which were expected to be completed in 2020/21 and those project are still in WIP (those projects are Maruleng indoor sports centre, Balloon access road and Calais sports field).

### CASH FLOW STATEMENTS

Budget reporting occurred in accordance with the Municipal Standard Charts of Accounts (mSCOA) classification scheme. Significant format differences are on the cashflow

Property rates, penalties and collection charges

The municipality revenue for property rates was based on the actual budget that was made in 2020/21 financial period, the municipality managed to receive less revenue on property due to covid 19 pandemic.

#### Service charges

The municipality revenue for services was based on the actual budget that was made on 2020/21 financial period, the municipality received less revenue on services charges than anticipated due to covid 19 pandemic.

#### Interest

The municipality cash flow revenue interests is less than anticipated. The covid-19 affected the market that's why the interest rates was very low.

#### Suppliers and employees

As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes.

## Accounting Policies

### 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 (ASB) in accordance with Section 122(3) of the Municipal Municipal Finance Management Act (Act 56 of 2003).

The 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

The annual financial statements presents fairly the financial position, performance and cashflow of the municipality.

# **MARULENG LOCAL MUNICIPALITY**

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## **1.1 Presentation currency**

These annual financial statements are presented in South African Rand (R), rounded off to the nearest Rand, which is the functional currency of the municipality.

## **1.2 Going concern assumption**

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

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 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:

#### Going-concern

Included in management's assessment of going concern are key financial metrics, the impact of the COVID-19 pandemic, the associated conditions of a general economic downturn, approved medium-term budgets, and the municipality's dependency on grants from Provincial Treasury,

Management concluded that the going concern assumption used in the compiling of its financial statements, is appropriate.

#### Materiality

Materiality is considered in determining whether information needs to be recognised, measured, presented and disclosed in accordance with the GRAP standards, as well as in assessing the effect of omissions, misstatements and errors on the financial statements.

In assessing whether an item, transaction or event is material, the following thresholds are used:

#### Budget information

Variances between budget and actual amounts are regarded as material when the variance is

- 10% or greater in the statement of financial position, the statement of financial performance, and the cash flow statement; and
- 5% or greater in capital expenditure.

All material differences are explained in page 16 to these financial statements.

#### Qualitative thresholds

The nature of an item, transaction or event is determined by its inherent characteristics, or the circumstances in which it was undertaken. Items, transactions or events may be considered material:

- if they relate to legal or regulatory requirements, e.g. specific disclosures required by legislation, restrictions on certain transactions or activities imposed by legislation, or breaches of legislation.
- if they constitute related-party transactions;
- depending on their regularity or frequency, e.g. a once-off transfer of funds to another entity in terms of legislation, or a ministerial directive;
- if they result in the reversal of a trend, e.g. changing a surplus to a deficit, or vice versa;
- if they are likely to result in a change in accounting policy;
- if they involve the commencement of a new function, or the reduction or discontinuation of an existing one;
- depending on the degree of estimation or judgement required to determine their value, e.g. a high degree of estimation may be involved in the measurement of a complex transaction such as a financial instrument; and
- if they affect the going-concern assumption of the municipality.

The relative importance of these qualitative factors in determining materiality is a matter of professional judgement.

#### Quantitative thresholds

Quantitative materiality refers to the monetary value of items, transactions or events that is likely to influence users' decisions.

The quantitative value of materiality is based on a number of financial indicators.

The Municipality uses 0,5% to determine materiality, considering the following factors:

- Nature of the Municipality's business

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

- Statutory requirements
- The control and inherent risks associated with the Municipality
- Prudence

#### Trade receivables

The Maruleng Local Municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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 trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

#### 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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

#### Provisions

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

#### 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. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

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

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

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.

#### Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

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



# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### Effective interest rate

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

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

### 1.4 Transfer of functions between entities under common control

#### Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

# MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Transfer of functions between entities under common control (continued)

#### Accounting by the entity as transferor

##### Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

### 1.5 Transfer of functions between entities not under common control

#### Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

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

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 function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

# MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Transfer of functions between entities not under common control (continued)

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

#### The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

#### Determining what is part of the transfer of functions transaction

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

#### Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

### 1.6 Property, plant and equipment

#### Initial recognition

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.

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

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.

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

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

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

#### Subsequent measurement - Land

Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent to initial recognition, land is measured at fair value.

#### Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

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Asset Description	Depreciation method	Useful Lifespan
Roads, pavements, bridges and storm water	Straight line	5- 100 years
Street names, signs and parking meters	Straight line	5-45 years
Community halls	Straight line	25 years
Libraries	Straight line	25 years
Recreation facilities	Straight line	25-100 years
Cemetery fencing	Straight line	10 years
Motor vehicles	Straight line	7-10 years
IT equipment	Straight line	5-7 years
Plant and equipment	Straight line	5-10 years
Office equipment	Straight line	5-7 years
Operational plant and equipment	Straight line	6-10 years
Finance Lease assets - Office equipment	Straight line	3-5 years
Books and Publications	Straight line	10-20 years
Office Furniture	Straight line	5-10 years

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

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

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

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

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

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

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

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

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

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

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

### 1.7 Intangible assets

#### Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition...

Where an intangible asset 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.

#### Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

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### 1.7 Intangible assets (continued)

#### Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Licenses and franchises	2 - 5 years
Computer software, other	5 - 10 years

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

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

#### De-recognition.

Intangible assets are de-recognised 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.8 Heritage assets

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

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

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

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

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

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

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

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

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

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### 1.8 Heritage assets (continued)

#### Initial recognition and measurement

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

A heritage asset as an asset if:

- a) it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and
- b) the cost or fair value of the asset can be measured reliably.

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

#### Subsequent measurement

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

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

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

#### Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

### 1.9 Investment property

#### Initial recognition

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

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

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

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

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

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

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### 1.9 Investment property (continued)

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

#### Subsequent measurement

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

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

#### Derecognition

The carrying amount of investment property shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

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

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

### 1.10 Inventories

#### Initial recognition

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.

#### Subsequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

#### Cost formula

The cost of inventories is assigned by using the weighted average cost formula.

### 1.11 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 an 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.



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### 1.11 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

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### 1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

#### Initial recognition

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

#### Subsequent measurement

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The Municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial Asset measured at amortised cost
Investments - Call accounts	Financial Asset measured at amortised cost
Consumer Debtors	Financial Asset measured at amortised cost
Sundry debtors	Financial Asset measured at amortised cost

The Municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Consumer debtors are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

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### 1.12 Financial instruments (continued)

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

#### Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Gains and losses

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

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

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

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### 1.12 Financial instruments (continued)

- 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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

### Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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### 1.12 Financial instruments (continued)

#### 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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

### 1.13 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.

#### 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.

### 1.14 Provisions and contingent liabilities

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.

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### 1.14 Provisions and contingent liabilities (continued)

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 1.15 Value Added Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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### 1.16 Leases

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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.

### 1.17 Revenue from exchange transactions

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

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

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

#### Service charges

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

- 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 .

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

#### Sale of goods

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

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

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### 1.17 Revenue from exchange transactions (continued)

#### Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

#### Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.



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### 1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Rates (including collection charges and penalty interest)

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.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### Fines.

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. Law enforcement official are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

#### Other revenue.

Revenue from 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 when the recovery thereof from the responsible councillors or officials is virtually certain.

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

### 1.19 Employee benefits

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

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

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

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

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

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

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

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

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### 1.19 Employee benefits (continued)

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.

#### 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.

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

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

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

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

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

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### 1.19 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 recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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

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## Accounting Policies

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### 1.19 Employee benefits (continued)

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

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

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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### 1.19 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### 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 also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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.

### 1.20 Offsetting

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

### 1.21 Compound instruments

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in an agreement/ arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

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### 1.22 Accumulated surplus

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;
- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and
- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

### 1.23 Related parties

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

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

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).

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 considered to be those family members who may be expected to influence, or be influenced by, that management 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.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.24 Changes in accounting policies and estimates and prior year errors

#### Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

#### Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

#### Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

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## Accounting Policies

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### 1.24 Changes in accounting policies and estimates and prior year errors (continued)

(a) restating the comparative amounts for the prior period presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

### 1.25 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.

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

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

A cash-generating unit is the smallest identifiable group of assets 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 extent to which the asset is used for service delivery.

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

### 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.

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

#### 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.

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

#### Value in use

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.

#### 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.



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

#### 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.

#### 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.

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

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

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

In allocating an impairment loss, the 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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Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### Reversal of impairment loss

The municipality assess 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.

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

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

### 1.27 Commitments

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

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

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

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

### 1.28 Investment income

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

### 1.29 Borrowing costs

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

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

### 1.30 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).

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## Accounting Policies

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### 1.30 Accounting by principals and agents (continued)

#### 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 an 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.

### 1.31 Presentation of budget policy

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

### 1.32 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.

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## Accounting Policies

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### 1.32 Unauthorised expenditure (continued)

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.33 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.34 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

### 1.35 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.

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## Accounting Policies

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### 1.35 Segment information (continued)

#### 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.

### 1.36 Events after reporting date

Events that occur after the 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.

#### Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

#### Non-adjusting events.

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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.

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Figures in Rand

2021

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### 2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>Guideline: Guideline on Accounting for Landfill Sites</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 1 (amended): Presentation of Financial Statements</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 34: Separate Financial Statements</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 35: Consolidated Financial Statements</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 36: Investments in Associates and Joint Ventures</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 37: Joint Arrangements</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 38: Disclosure of Interests in Other Entities</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 110 (as amended 2016): Living and Non-living Resources</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>Directive 7 (revised): The Application of Deemed Cost</li></ul>	01 April 2020	The impact of the is not material.
<ul style="list-style-type: none"><li>GRAP 18 (as amended 2016): Segment Reporting</li></ul>	01 April 2020	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

#### 2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 104 (amended): Financial Instruments</li></ul>	01 April 2009	Unable to reliably estimate the impact
<ul style="list-style-type: none"><li>Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards</li></ul>	01 April 2021	Unable to reliably estimate the impact
<ul style="list-style-type: none"><li>Guideline: Guideline on the Application of Materiality to Financial Statements</li></ul>	01 April 2009	Unable to reliably estimate the impact



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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>3. Inventories</b>		
Raw materials, components	104 360	62 631
<b>3.1 Movement for inventories</b>		
Stationery	12 350	18 508
Consumables	29 379	(3 651)
	<b>41 729</b>	<b>14 857</b>
<b>4. Receivables from exchange transactions</b>		
Less: Provision for Doubtful Debts	(5 004 008)	(3 876 097)
Other debtors - sundry debtors	4 203 221	2 542 979
Trade debtors - Refuse / waste management	3 386 414	2 443 468
	<b>2 585 627</b>	<b>1 110 350</b>
<b>Aged receivables from exchange transactions</b>		
Receivables from exchange transactions at 30/06/2021: R 7 589 635 (30/06/2020: R 4 986 447).		
<b>Aged Debtors</b>	-	-
<b>Refuse and other</b>	-	-
Current (0 - 30 days)	1 187 772	825 913
31 -60 days	361 732	266 958
61 - 90 days	291 062	240 062
91 - 120 days	299 688	263 917
120 days +	5 449 381	3 389 597
	<b>7 589 635</b>	<b>4 986 447</b>
<b>Reconciliation of provision for impairment of receivables from exchange transactions</b>		
Opening balance	3 876 097	2 678 973
Provision for impairment	1 127 911	1 197 124
	<b>5 004 008</b>	<b>3 876 097</b>
<b>5. Receivables from non-exchange transactions</b>		
Fines	4 467 895	3 916 895
Other debtors	25 081 171	15 190 285
Consumer debtors - rates	138 377 128	101 159 632
Provision for Impairment - Receivables for rates and traffic fines	(134 842 507)	(98 433 257)
	<b>33 083 687</b>	<b>21 833 555</b>
<b>Debtors for rates, other and traffic fines</b>		
Rates	138 377 128	101 159 632
Less: Provision for debt impairment	(110 320 494)	(83 791 746)
	<b>28 056 634</b>	<b>17 367 886</b>
Fines	4 469 295	3 916 895
Less: Provision for debt impairment	(3 315 172)	(2 839 559)
	<b>1 154 123</b>	<b>1 077 336</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
Other debtors	25 081 171	15 190 285
Less: Provision for debt impairment	(21 206 842)	(11 801 952)
	<b>3 874 329</b>	<b>3 388 333</b>
<b>Debtors ageing rates &amp; other debtors</b>	-	-
Current ( 0 - 30 days)	9 674 065	8 046 763
31 - 60 days	6 469 541	5 325 401
61 - 90 days	5 737 466	3 940 240
91 - 120 days	5 621 272	4 378 936
120 days +	135 955 956	94 658 576
<b>Total (rates and other debtors)</b>	<b>163 458 300</b>	<b>116 349 916</b>
	-	-
	-	-

The amount for the provision as at 30 June 2021 was R 131 527 335 and on 30 June 2020 was R 98 433 257

In light with the accounting policy of Maruleng Municipality on account receivables, a provision is made on accounts which are overdue for more than 90 days. Based on the debtor's ageing analysis above, an average of 73% is noted on accounts which are overdue in the previous three years which indicates the significant backlog of recoverability of outstanding debtors that falls due for over 90 days and therefore the provision made based on 90 days plus benchmark appears to be reasonable.

### 6. VAT receivable

VAT	29 055 178	10 195 707
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The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

During the year, the municipality did not make any payments to SARS.

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. The amount receivable for the month of 30 June 2021 on cash basis is R 20 034 294.76.

### 7. Other receivables

Mopani Loan Account - District (Water Services)	29 039 428	27 885 671
Provision for Mopani Loan Account	(29 039 428)	(27 885 420)
Salary Clearing Account	658 678	173 238
Deposits - (SALGA prepayment)	995 971	6 188
Other debtors (Treasury)	-	1 523 952
	<b>1 654 649</b>	<b>1 703 629</b>

### Inter-municipal receivables

Gross debtors	29 039 428	27 885 420
Provision for debt impairment	(29 039 428)	(27 885 420)
	-	-

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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Reconciliation of debt impairment provision

### Inter-municipal debtors

Balance at the beginning of the year	(27 885 420)	(25 729 186)
Adjustments to provision	(1 154 008)	(2 156 234)
	<b>(29 039 428)</b>	<b>(27 885 420)</b>

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on floats	710	710
Bank balances	1 943 510	7 292 168
Call deposits	121 953 862	138 758 156
	<b>123 898 082</b>	<b>146 051 034</b>

The municipality has a facility in the form of a fleet card for a limit of R 150 000 which expires in 2022. The fleet card is linked directly to the main account.

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
Current account (primary bank account) - Standard Bank Hoedspruit Branch : Account Number 033355487	627 547	6 312 238	15 196 956	976 508	7 292 878	15 731 486
Standard Bank Account: Call deposit Account - Account number: 038579111-02	86 327 135	103 249 495	87 814 368	86 327 135	103 249 495	87 814 368
Bank statement balance at the beginning of the period						
Investec Bank Account: 32 days notice account - Account number 1100464721500	36 594 439	35 508 661	33 657 281	36 594 439	35 508 661	33 657 281
Bank statement balance at the beginning of the period						
<b>Total</b>	<b>123 549 121</b>	<b>145 070 394</b>	<b>136 668 605</b>	<b>123 898 082</b>	<b>146 051 034</b>	<b>137 203 135</b>

### 9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8 950 000	-	8 950 000	8 950 000	-	8 950 000

Reconciliation of investment property - June 2021

	Opening balance	Total
Investment property	8 950 000	8 950 000

# MARULENG LOCAL MUNICIPALITY

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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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### Reconciliation of investment property - June 2020

	Opening balance	Total
Investment property	8 950 000	8 950 000

### Pledged as security

During the financial period ended 30 June 2021, no components of investment property were pledged as security for borrowings or banking facilities.

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.

Investment property is measured at fair value. The properties are valued by professional values every three (3) years as per the Municipality Policy.

The current property last valuation was performed on 30 June 2019. The values remained valid for a financial periods 30 June 2019, 30 June 2020 and 30 June 2021.

- There are very limited or no new comparable sales of properties taking place at Hoedspruit town which means that the fair value will unlikely change in a short period of time.

- There no improvement made since the last valuation for these investment properties owned by Maruleng Municipality hence the properties didn't form part of the supplementary valuation rolls.

The new valuation will be performed for the financial year ending 30 June 2022.

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## Notes to the Annual Financial Statements

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### 10. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 500 000	-	19 500 000	19 500 000	-	19 500 000
Plant and machinery	3 883 190	(1 040 730)	2 842 460	3 998 690	(783 360)	3 215 330
Furniture and Office Equipment	4 841 895	(2 542 404)	2 299 491	5 312 994	(2 607 062)	2 705 932
Transport assets	15 409 717	(2 244 813)	13 164 904	13 605 302	(1 569 354)	12 035 948
Computer equipment	9 156 085	(6 044 022)	3 112 063	8 642 701	(4 583 422)	4 059 279
Infrastructure - roads	308 858 634	(40 390 848)	268 467 786	258 140 094	(33 415 254)	224 724 840
Community assets	229 493 112	(121 395 524)	108 097 588	227 668 100	(110 862 903)	116 805 197
WIP - Infrastructure	213 067 710	-	213 067 710	139 043 494	-	139 043 494
Electrical infrastructure	10 732 274	(9 821 233)	911 041	10 732 274	(9 722 653)	1 009 621
Other assets	103 625	(96 374)	7 251	103 625	(93 906)	9 719
Solid waste infrastructure	552 410	(520 808)	31 602	552 410	(499 506)	52 904
Storm water infrastructure	16 854 820	(2 223 745)	14 631 075	16 854 820	(1 933 739)	14 921 081
<b>Total</b>	<b>832 453 472</b>	<b>(186 320 501)</b>	<b>646 132 971</b>	<b>704 154 504</b>	<b>(166 071 159)</b>	<b>538 083 345</b>

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

	Opening balance	Additions	Disposals	Transfers out	Depreciation	Impairment loss	Total
Land	19 500 000	-	-	-	-	-	19 500 000
Plant and machinery	3 215 330	7 553	(7 337)	-	(371 577)	(1 509)	2 842 460
Furniture and Office Equipment	2 705 932	194 056	(45 581)	-	(515 393)	(39 523)	2 299 491
Transport assets	12 035 948	2 022 574	-	-	(893 618)	-	13 164 904
Computer equipment	4 059 279	1 311 512	(62 700)	-	(2 141 304)	(54 724)	3 112 063
Infrastructure - roads	224 724 840	50 718 540	-	-	(6 752 873)	(222 721)	268 467 786
Community assets	116 805 197	1 821 502	-	-	(10 430 875)	(98 236)	108 097 588
WIP - Infrastructure	139 043 494	126 564 258	-	(52 540 042)	-	-	213 067 710
Electrical infrastructure	1 009 621	-	-	-	(98 580)	-	911 041
Other assets	9 719	-	-	-	(1 437)	(1 031)	7 251
Solid waste infrastructure	52 904	-	-	-	(21 270)	(32)	31 602
Storm water infrastructure	14 921 081	-	-	-	(286 528)	(3 478)	14 631 075
	<b>538 083 345</b>	<b>182 639 995</b>	<b>(115 618)</b>	<b>(52 540 042)</b>	<b>(21 513 455)</b>	<b>(421 254)</b>	<b>646 132 971</b>

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

	Opening balance	Additions	Disposals	Transfers out	Depreciation	Impairment loss	Total
Land	20 872 000	-	-	-	-	(1 372 000)	19 500 000
Plant and machinery	3 588 247	18 956	(11 493)	-	(378 780)	(1 600)	3 215 330
Furniture and Office Equipment	3 079 269	194 954	(19 579)	-	(523 842)	(24 870)	2 705 932
Transport assets	8 155 375	5 220 060	(498 934)	-	(840 553)	-	12 035 948
Computer equipment	5 336 214	692 599	(27 073)	-	(1 938 141)	(4 320)	4 059 279
Infrastructure - roads	154 914 917	75 880 327	-	-	(5 589 060)	(481 344)	224 724 840
Community assets	127 385 931	505 237	-	-	(10 568 984)	(516 987)	116 805 197
WIP - Infrastructure	128 727 782	86 196 040	-	(75 880 328)	-	-	139 043 494
Electrical infrastructure	1 167 156	-	-	-	(157 535)	-	1 009 621
Other assets	9 029	6 812	-	-	(6 122)	-	9 719
Solid Waste Infrastructure	74 649	-	-	-	(21 329)	(416)	52 904
Storm water Infrastructure	15 223 521	-	-	-	(287 313)	(15 127)	14 921 081
	<b>468 534 090</b>	<b>168 714 985</b>	<b>(557 079)</b>	<b>(75 880 328)</b>	<b>(20 311 659)</b>	<b>(2 416 664)</b>	<b>538 083 345</b>

### Pledged as security

During the financial year ended 30 June 2021, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

The municipality is initiating a process of engaging the private occupier in erf 196 to enter into a new arrangement. The land was leased to the private occupier pre 1994 at 99c per annum.

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Figures in Rand	2021	2020
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### Details of Valuation

Land was fair valued on 30 June 2016.

Valuation details.

The effective date of the valuations remains 30 June 2016.

The valuation was performed by an independent valuer, Hangwani Petrus Matildza, who is not connected to the municipality and has experience and knowledge regarding the location and category of the property being valued. The valuation was based on open market value for existing use. All assumptions used to arrive at the fair values were based on current market conditions. The Council policy is to revalue every four years.

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.



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Figures in Rand

### 11. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 084 089	(946 157)	137 932	1 084 089	(933 680)	150 409

#### Reconciliation of intangible assets - June 2021

	Opening balance	Amortisation	Total
Computer software	150 409	(12 477)	137 932

#### Reconciliation of intangible assets - June 2020

	Opening balance	Amortisation	Total
Computer software	298 294	(147 885)	150 409

#### Pledged as security

During the financial period ended 30 June 2021, no components of intangible assets were pledged as security for borrowings or banking facilities.

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## Notes to the Annual Financial Statements

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### 12. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	372 500	-	372 500	372 500	-	372 500

#### Reconciliation of heritage assets - June 2021

	Opening balance	Total
Heritage assets	372 500	372 500

#### Reconciliation of heritage assets - June 2020

	Opening balance	Total
Heritage assets	372 500	372 500

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Figures in Rand	2021	2020
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	759 010	1 758 989
- in second to fifth year inclusive	-	759 010
	759 010	2 517 999
less: future finance charges	(6 425)	(64 471)
<b>Present value of minimum lease payments</b>	<b>752 585</b>	<b>2 453 528</b>
<b>Present value of minimum lease payments due</b>		
- within one year	752 585	1 700 943
- in second to fifth year inclusive	-	752 585
	<b>752 585</b>	<b>2 453 528</b>
Non-current liabilities	-	752 585
Current liabilities	752 586	1 700 943
	<b>752 586</b>	<b>2 453 528</b>

The average lease term was 3 years and the average effective borrowing rate was 10.5% (2020: 10.5%).

### 14. Payables from exchange transactions

Retentions	22 478 445	16 659 097
Accruals	4 687 270	8 961 746
Unknown deposits	3 742 696	3 482 346
Operating lease - deferred liability	26 844	26 844
Other creditors - Dept Roads & Transport	61 040	76 020
	<b>30 996 295</b>	<b>29 206 053</b>

Included in the Unknown deposits is deposits to the value of R 1 640 296.10 that has not been claimed for more than 2 (two) financial years that is the process of been considered as forfeits following council consideration. Payables are non-interest bearing and are normally settled on 30-day terms, except for retentions, which are settled in terms of the contract agreement.

### 15. Trade and other payables from non exchange transactions

Amounts received in advance - Consumer debtors	4 081 420	4 439 741
Trade and other payables	286 358	283 944
	<b>4 367 778</b>	<b>4 723 685</b>

Payments received in advance are non-interest bearing.

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Figures in Rand	2021	2020
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### 16. Employee benefit obligations

#### Defined benefit plan

The plan is a post-employment medical benefit plan and long service awards.

#### Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' postemployment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

#### Long service awards

Long service awards relate to the legal obligation to provide long service leave awards.

Actuarial benefits has been performed on all 150 employees as at 30 June 2021 that are entitled to long services awards. The long service awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Maruleng offers bonuses every five years of completed services from 10 years to 45 years.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded_Long service awards	(4 571 000)	(3 150 000)
Present value of the defined benefit obligation-wholly unfunded_Post retirement medical aid plan	(4 523 000)	(3 763 000)
	<b>(9 094 000)</b>	<b>(6 913 000)</b>
Non-current liabilities	(8 638 000)	(6 641 000)
Current liabilities	(456 000)	(272 000)
	<b>(9 094 000)</b>	<b>(6 913 000)</b>

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

Opening balance	3 150 000	3 041 912
Benefits paid	(363 098)	(124 889)
Net expense recognised in the statement of financial performance	1 784 098	232 977
	<b>4 571 000</b>	<b>3 150 000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	331 000	301 068
Interest cost	227 000	259 920
Actuarial (gains) losses	562 098	(328 011)
Addition of pro-rata LSA*	664 000	-
	<b>1 784 098</b>	<b>232 977</b>

#### Calculation of actuarial gains and losses

**Changes in the fair value of plan assets are as follows:**

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

#### Key assumptions used

Assumptions used at the reporting date:

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
Discount rates used	9.44 %	7.53 %
General earnings inflation rate	5.84 %	4.09 %
Net discount rate	3.40 %	3.30 %

\*An employee with five or more years' service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee's most recent service milestone, divided by five.

### Other assumptions

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Accrued liability - Long service award	4 571 000	3 150 000	3 041 912	3 293 859	2 780 932

An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become entitled to after retirement.

The employee post employment health care liability consists of the commitment to pay a portion of the Pensioners Medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes after the death of the pensioner.

### A summary of assumptions was provided to the municipality.

The medical aid contribution is an actuarial calculation which was performed by ARCH Actuarial Consulting, an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment.

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

### Changes in the present value of the Post-Employment Medical Aid Obligation are as follows:

Opening balance	3 763 000	7 934 785
Net expense recognised in the statement of financial performance	760 000	(4 171 785)
	<b>4 523 000</b>	<b>3 763 000</b>

### Net expense recognised in the statement of financial performance

Current service cost	335 000	832 260
Interest cost	433 000	898 218
Actuarial (gains) losses	(8 000)	(5 902 263)
	<b>760 000</b>	<b>(4 171 785)</b>

### Calculation of actuarial gains and losses

### Changes in the fair value of plan assets are as follows:

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.70 %	11.49 %
Net discount rate	3.29 %	3.81 %
Healthcare cost inflation	7.17 %	7.40 %

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### Other assumptions

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Accrued liability - Post-employment medical aid benefits	4 523 000	3 763 000	7 934 785	6 879 809	5 304 603

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Unspent grants 1	1	-
Expanded Public Works Programme Grant	-	1
Municipal Infrastructure Grant (MIG)	32 057	-
	<b>32 058</b>	<b>1</b>

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.

### 18. Provisions

#### Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Total
Leave provision	7 255 204	(137 310)	7 117 894
Bonus provision	1 528 390	265 452	1 793 842
Provision for performance bonus	703 325	1 019 381	1 722 706
	<b>9 486 919</b>	<b>1 147 523</b>	<b>10 634 442</b>

#### Reconciliation of provisions - 2020

	Opening Balance	Utilised during the year	Total
Leave provision	6 980 485	274 719	7 255 204
Bonus provision	1 079 220	449 170	1 528 390
Provision for performance bonus	764 853	(61 528)	703 325
	<b>8 824 558</b>	<b>662 361</b>	<b>9 486 919</b>

#### Leave provision

Annual leave accrues to employees monthly, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>19. Interest on investments</b>		
<b>Interest revenue</b>		
Short-term investments and call accounts	4 163 418	7 296 691
<b>20. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities and equipment	836 506	255 567
<b>21. Agency services</b>		
Agency fee - Roads and transport	2 391 455	1 681 084
Agency fee - Water and sanitation_Mopani district	196 491	213 212
	<b>2 587 946</b>	<b>1 894 296</b>
<b>22. Licences and permits</b>		
Traffic learners and drivers' licences	2 452 458	1 776 843
<b>23. Expenses from service concession arrangements</b>		
<b>24. Lease rentals on operating lease</b>		
<b>25. Fines, Penalties and Forfeits</b>		
Traffic fines	638 650	532 800
Forfeits - Retentions	2 310 934	-
	<b>2 949 584</b>	<b>532 800</b>
<b>26. Interest on receivables</b>		
Exchange receivables	380 308	31 366
Non-exchange receivables	11 736 215	8 802 347
	<b>12 116 523</b>	<b>8 833 713</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>27. Other revenue</b>		
Valuation certificates	6 338	4 753
Library fines	2 427	3 365
Building plans	1 528 152	1 388 426
Special consent application	9 516	-
Signboards, adverts etc	38 372	10 204
Trading licence fees	19 100	2 644
Building inspection fee	214 496	144 199
Swimming pool application fees	35 290	-
Library membership fees	350	1 390
Membership fees	-	20 442
Clearance certificates	-	217 205
Tender documents	408 464	161 912
Handling fees	-	614
	<b>2 262 505</b>	<b>1 955 154</b>
<b>28. Service charges</b>		
Refuse removal	3 979 418	3 736 237
<b>29. Property rates</b>		
<b>Rates received</b>		
Property rates	125 565 942	106 186 216
Less: Income forgone	(16 702 438)	(15 104 706)
	<b>108 863 504</b>	<b>91 081 510</b>
<b>Valuations</b>		
Residential	3 733 684 700	5 716 895 194
Commercial	2 466 184 841	1 350 108 281
State	477 732 000	301 655 000
Agricultural	3 479 061 791	1 968 315 626
Other	2 988 543 760	2 638 013 852
	<b>13 145 207 092</b>	<b>11 974 987 953</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 30. Government grants and subsidies

#### Operating grants

Total operating grants	162 391 000	127 654 192
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#### Equitable Share

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

#### Equitable Share

Current-year receipts	133 584 000	124 492 000
Conditions met - transferred to revenue	(133 584 000)	(124 492 000)

	-	-
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#### Expanded Public Works Programme (EPWP)

Current-year receipts	1 000 000	1 113 000
Conditions met - transferred to revenue	(1 000 000)	(1 113 000)

Unspent amount transferred to liabilities	-	-
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This grant is used to provide skills and temporary work to unemployed people

#### Financial Management Grant

Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)

Unspent amount transferred to liabilities	-	-
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This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.

#### Disaster Management Relief Grant

Current-year receipts	25 907 000	149 000
Conditions met - transferred to revenue	(25 907 000)	(149 000)

Unspent amount transferred to liabilities	-	-
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This grant was allocated through an unconditional grant (Equitable share), these are committed funds in response to the Covid-19 pandemic. The R 25 million allowed the municipality to maintain existing service despite a temporary decline in revenue collections and also cover some additional expenses incurred in response to Covid 19 pandemic.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	4 919
Current-year receipts	46 328 000	26 812 000
Conditions met - transferred to revenue	(46 295 943)	(26 816 919)

	32 057	-
--	--------	---

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

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions.

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Figures in Rand	2021	2020
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### 31. Employee related costs

Employee related costs - Salaries and wages	54 725 060	46 456 233
Employee related costs - social contributions	11 463 117	11 256 292
Travel, motor car, accommodation, subsistence and other allowances	7 245 388	6 787 938
Long-service awards	962 259	301 068
Housing benefits and allowances	750 094	1 014 255
Post retirement benefits	335 000	832 260
	<b>75 480 918</b>	<b>66 648 046</b>

### Municipal Manager

Annual Remuneration	550 022	560 084
Car Allowance	-	347 068
Travel and other allowances	397 464	173 152
Contributions to UIF, Medical and Pension Funds	129 793	119 636
	<b>1 077 279</b>	<b>1 199 940</b>

### Remuneration of Chief Financial Officer

Annual Remuneration	359 680	-
Travel and other allowances	8 108	-
Contributions to UIF, Medical and Pension Funds	67 873	-
	<b>435 661</b>	-

Ms F Sekgobela was appointed as the acting Chief Financial Officer from 1 July 2020 to 31 December 2020 and her acting allowance was RNil. Ms MF Nchabeleng has appointed as Chief Financial Officer from the 1st January 2021 to date and her remuneration is stated above.

### Director: Technical Services

Annual Remuneration	308 795	426 307
Car Allowance	-	276 000
Travel and other allowances	315 539	207 219
Contributions to UIF, Medical and Pension Funds	7 898	8 543
Payments in lieu of leave	195 502	-
	<b>827 734</b>	<b>918 069</b>

### Director: Community Services

Annual Remuneration	359 680	-
Travel and other allowances	7 808	-
Contributions to UIF, Medical and Pension Funds	67 864	-
	<b>435 352</b>	-

The post for Director: Community Services was vacant during the year.

### Director: Spatial Development and Planning

Annual Remuneration	430 206	-
Travel and other allowances	10 559	-
Contributions to UIF, Medical and Pension Funds	68 747	-
	<b>509 512</b>	-

The post for Director: Spatial Development and planning was vacant during the year.

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### Director: Corporate Services

Annual Remuneration	481 681	523 635
Travel and other allowances	195 617	180 000
Performance Bonuses	40 280	47 575
Contributions to UIF, Medical and Pension Funds	151 545	148 876
	<b>869 123</b>	<b>900 086</b>

### 32. Depreciation and amortisation

Transport assets	893 618	840 553
Electrical Infrastructure	98 580	157 535
Machinery and Equipment	371 577	378 780
Furniture and Office Equipment	515 393	523 842
Computer Equipment	2 141 304	1 938 141
Roads Infrastructure	6 752 873	5 589 061
Storm water Infrastructure	286 528	287 313
Community Assets	10 430 875	10 568 984
Other assets	1 437	6 122
Solid Waste Infrastructure	21 270	21 328
Intangible assets	12 477	147 885
	<b>21 525 932</b>	<b>20 459 544</b>

### 33. Impairment loss

#### Impairments

Machinery and Equipment	1 509	1 600
Other assets	1 032	-
Computer Equipment	54 724	4 320
Furniture and office equipment	39 523	24 870
Roads Infrastructure	222 722	481 342
Community assets	98 236	516 987
Solid waste infrastructure	32	416
Land	-	1 372 000
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Storm water	3 478	15 127
	<b>421 256</b>	<b>2 416 662</b>

### 34. Finance costs

Finance leases	58 047	112 119
Other interest paid	686 020	1 158 138
	<b>744 067</b>	<b>1 270 257</b>

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Figures in Rand	2021	2020
<b>35. General expenses</b>		
Compensation Commissioner	-	352 700
Advertising	251 738	133 716
Audit fees	4 786 711	4 266 813
Bank charges	334 627	297 699
Computer expenses	431 277	54 322
Legal expenses	2 987 686	1 408 465
Free basic electricity	651 943	608 293
Entertainment	133 645	-
Insurance	1 090 623	593 591
Functions and events	264 561	675 632
Fuel and oil	2 836 616	1 957 982
Printing and stationery	1 568 781	1 133 976
Protective clothing	845 898	544 664
Repairs and maintenance	2 009 574	2 302 670
Refreshment	-	43 369
Subsistence, travel & accomodation	5 596 350	8 108 073
Fines and penalties	55 789	-
Training	2 472 457	2 054 187
Telephone & cellphone costs	258 240	787 842
Electricity - Utilities	2 481 998	2 339 115
Internal Audit	518 098	70 159
Membership fees	1 003 809	887 287
Stores and material	1 285 342	340 035
Ward committes	2 466 000	2 491 500
Professional fees	13 766 665	10 798 149
Bursary Fund	96 778	207 389
Other expenses	1 339 816	1 068 231
	<b>49 535 022</b>	<b>43 525 859</b>
<b>36. Debt impairment</b>		
Contributions to debt impairment consumers	37 061 548	26 902 840
Contributions to debt impairment traffic fines	475 613	343 099
Contributions to debt impairment inter-municipal debtor	1 154 008	2 156 234
	<b>38 691 169</b>	<b>29 402 173</b>
<b>37. Loss/(gain) on disposal of assets</b>		
<b>Loss/(gain) on disposal of assests</b>		
Porperty, plant and equipment	(621 956)	607 600

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<b>38. Cash generated from operations</b>		
Surplus	131 417 146	86 630 883
<b>Adjustments for:</b>		
Depreciation and amortisation	21 525 932	20 459 544
(Loss) gain on sale of assets and liabilities	(621 956)	600 788
Impairment / (reversal) of impairment on assets	421 257	2 416 663
Increase / (decrease) in debtors impairment	38 691 169	17 562 479
Bad debts written off	823 220	11 839 695
Movements in retirement benefit assets and liabilities	1 997 000	(4 335 697)
Movements in provisions	1 331 523	934 361
Finance cost - employee benefit obligation	(718 047)	(1 158 138)
Actuarial gains/(losses)	554 098	(6 230 825)
Movement in employee benefit liability	163 949	7 388 963
<b>Changes in working capital:</b>		
Inventories	(41 729)	(14 857)
Receivables from exchange transactions	(1 426 297)	1 044 230
Other receivables from non-exchange transactions	(50 764 522)	(31 936 385)
Prepayments	(17 000 000)	-
Payables from exchange transactions	1 790 242	(833 958)
VAT	(18 859 471)	(666 311)
Taxes and transfers payable (non-exchange)	(355 907)	(534 310)
Unspent conditional grants and receipts	32 057	(5 111)
Accumulated surplus	(49 293)	6 339
	<b>108 910 371</b>	<b>103 168 353</b>

## 39. Additional disclosures in terms of Section 125 of Municipal Finance

### Contribution to SALGA

Council membership fees payable	990 840	883 248
Amount paid current year	(990 840)	(883 248)
	-	-

### Audit fees

Current year audit fee	4 786 710	4 345 349
Amount paid current year	(4 786 710)	(4 345 349)
	-	-

### PAYE & UIF

Current payroll deductions	12 387 115	11 086 004
Amount paid current year	(12 387 115)	(11 086 004)
	-	-

### Pension and Medical Aid Deductions

Current payroll deductions	14 842 450	11 461 102
Amount paid current year	(14 842 450)	(11 461 102)
	-	-

### VAT

During the year, the municipality did not make any payments to SARS.

VAT is accounted for on accrual basis, SARS returns are accounted for on cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted throughout the year.

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<b>40. Councillor's arrears consumer accounts</b>		
Councillors do not have services and rates accounts to the municipality.		
<b>41. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	182 266 688	218 322 013
<b>Total capital commitments</b>		
Already contracted for but not provided for	182 266 688	215 831 521
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Professional fees	6 447 959	8 383 009
<b>Total operational commitments</b>		
Already contracted for but not provided for	6 447 959	8 383 009
The expenditure will be financed from:		
<b>Sources</b>		
Government grants	32 167 940	28 312 193
Internal sources	156 546 707	198 392 829
	<b>188 714 647</b>	<b>226 705 022</b>

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### 42. Contingent liabilities

Litigation is in the process against the municipality relating to disputes with stakeholders. The estimate of the contingent liability is approximately R 9 581 460 (June 2021), and approximately R 7 500 000 (June 2020).

The litigation matters for the year under review are detailed below as follows:

#### Dispute on subcontracting.

Litigation is in the process against the municipality relating to a dispute with a subcontractor who alleges that the municipality did not pay them a full invoice amount of R356 000 that they issued on behalf of the main contractor. The plaintiff alleges that they were only paid R147 000 by the municipality and no further payments were made thereafter and is seeking remainder of the balance of invoice and legal costs. The municipality is has instructed the lawyers to settle. Negotiations are ongoing and the matter will be settled soon. Management's estimate of financial exposure (including costs and disbursements) on the case is approximately R 350 000.

#### Claims on the house gutted by fire:

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The applicants instituted action against the Maruleng municipality (case no: 19582/2012) during april 2012. The claim is one for payment of delictual damages incurred by the plaintiff as a result of a runaway veld fire (caused by the municipality) which occurred on 05/09/2011 in Hoedspruit and while destroying the property of the applicant. The plaintiff claims from the municipality payment in the amount of R1 979 960.00. Management's estimate of financial exposure (including costs and disbursement) on the case is approximately R 6 500 000

### Contractual claim (Maatjie plant fire and construction)

In 2011 a contractor entered into an agreement with the municipality: NLA/LP/RST10/1 - Mahlomelong Surfacing of road.

During July/Aug 2011 the plaintiff (a business man trading in Landslide Equipment) rented out the machinery & equipment and rendered services to the contractor under a contract Mahlomelong surfacing of road NLA/LP/R-ST10/01 as a sub-contractor.

On 08/09/2011 the plaintiff submitted an invoice to the municipality for work done on behalf of the contractor in the amount of R308 638.68 plus an invoice for an amount of R4 710.62. On 01/10/2011 Municipality made payment of an amount of R100 000.00 to the plaintiff but is since in default with its payment inspite of the fact that the plaintiff has completed his contract. The plaintiff claims for outstanding payment in the amount of R213 349.30. Management's estimate of financial exposure (including costs and disbursements) on the case is approximately R 200 000

### Mohale Champ Machubene unfair dismissal case

Mr Machubene was dismissed for gross misconduct and gross dereliction of duties following which he referred a dispute to the CCMA on the basis of unfair dismissal seeking compensation in the form of 12 or 24 months of his remuneration. Mr Machubene's basic pay is R 781 460.00 per annum and cash component of R 50 000.00.

There is no reimbursement from any third parties for potential obligations of the municipality.

### Claim for work done by Tainama Civils

Tainama civils has claimed an amount of R2 137 370,49 for alleged work done. The municipality has disputed the said amount and an engineer issued a revised payment certificate which is now disputed by Tainama Civils. Tainama has instituted legal claim for the amount of work alleged to have been performed. The matter is still pending and it is estimated that the municipality will incur legal costs to the amount of R200 000 on this matter.

There is no reimbursement from any third parties for potential obligations of the municipality.

### Car accident claim.

The plaintiff's car was involved in an accident in 2019 and they allege that the accident was caused by a burst tyre due to a pothole on municipal road. Municipality entered notice of intention to defend in that the road which the accident occurred it's a national road not that of municipality. Management's estimate of financial exposure (including costs and disbursements) on the case is R 200 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

### Application to set aside the zoning certificate

Mjindin Investment has issued an application for the review and set aside of zoning certificate issued to Gideon Trust. The matter has not be set for hearing. The Municipality is not expected to incur legal claims on this matter however there is expectation to incur legal costs to the amount of R300 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

### Interdict from appointment of service provider

Climby (as security company) was contracted to the municipality to provide security services. There was a breach of contract and the contract was terminated and new service provider had to be appointed. Climby approached the court in order to interdict the municipality from appointing the new service provider. The matter is still pending. Management expects to incur legal costs of R 1 000 000 on the matter.

There is no reimbursement from any third parties for potential obligations of the municipality.



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### Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees, members of the public and contractors/suppliers. The municipality is likely to receive an amount of approximately R1 550 000. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Contingent asset for the year under review are detailed below as follows:

#### Claim against car rental company

Summons issued on the matter of Maruleng Local municipality suing Car Rental company for not surrendering the scrap of a motor vehicle which the municipality has paid for after an accident caused by a municipal employee using a rental car. The municipality is of the view that the scrap should be the municipality's property. Management's estimate of financial exposure (including costs and disbursements) on the case is R 600 000.

#### Unjustified enrichment claim

Mmaatebele Constructions and projects received payments from the municipality and such were made under false pretence. The municipality has instituted legal claims for the amounts paid. The matter is yet to be heard by the court. Management is expecting to receive +R950 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

### 43. Unauthorised, irregular, fruitless and wasteful expenditure

#### Irregular expenditure

Opening balance as previously reported	75 368 635	44 897 213
Correction of prior period error		-
Add: Irregular expenditure - current	52 330 301	30 471 422
Less: Amount recoverable - current	-	-
Less: Amounts written-off - current	-	-
Irregular expenditure awaiting condonement	127 698 936	75 368 635
	<b>127 698 936</b>	<b>75 368 635</b>

A detailed list of irregular expenditure is available at the Municipality for review.

The balance as at 30 June 2020 was R 75 368 635. The balance as at 30 June 2021 was R127 698 936 that is currently under investigation. The expenditures disclosed include VAT for VAT vendors.

#### Fruitless and wasteful expenditure

Opening balance as previously reported	2 830 247	2 958 030
Correction of prior period error	-	-
Opening balance as restated	-	-
Add: Fruitless and wasteful expenditure - current	192 757	2 536
Less: Amount recoverable - current	-	(130 319)
Less: Amounts written-off - current	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>3 023 004</b>	<b>2 830 247</b>

The fruitless and wasteful expenditure has been tabled to council and was investigated by a committee of council.

A detailed list of fruitless and wasteful expenditure is available at the Municipality for inspection.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

The investigation results, resulted in fruitless and wasteful expenditure tabled to council be condoned and written off.

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<b>Unauthorised expenditure</b>		
Opening balance as previously reported	32 894 876	32 894 876
Correction of prior period error	-	-
<b>Opening balance as restated</b>	-	-
Add: Unauthorised expenditure - current	20 914 389	-
Less: Amounts written-off – current	(14 229 699)	-
	<b>39 579 566</b>	<b>32 894 876</b>

During the current year council has written-off unauthorised expenditure to the value of R 14 229 699. Unauthorised expenditure for the year is as a result of overspending of the approved budget. The overspending of R 20 091 169 is mainly as a result of provision for impairment and R 823 220 is for bad debts written off. A detailed list of unauthorised expenditure is available at the Municipality for inspection.

The unauthorised expenditure has been tabled to council and will be investigated by a committee of council.

### 44. Related party disclosures

During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

#### Related party transactions

S55 and S57 Employees/Employees remuneration

Refer to Employee related costs note 31

Remuneration of Councilors

Refer to Remuneration of Councilors note 47

### 45. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 8, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

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

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### Liquidity risk

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

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality'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 municipality analyses its financial liabilities and netsettled 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 are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

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
Trade and other payables from exchange transactions	30 996 295	-	-	-
Trade and other payables from non-exchange transactions	4 367 778	-	-	-
Finance lease obligation	752 585	-	-	-
Unspent grants	32 058	-	-	-

  

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	29 206 053	-	-	-
Trade and other payables from non-exchange transactions	4 723 685	-	-	-
Finance lease obligation	1 700 943	752 585	-	-

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### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Cash and cash equivalent - The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider that to be any significant exposure to credit risk.

Financial instruments exposed to credit risk at year end were as follows positive for assets and negative for Liabilities:

Financial instrument	2021	2020
Receivables - From Exchange Transactions	2 585 627	1 110 350
Receivables - From Non Exchange Transactions	33 083 687	21 833 555
Other receivables	1 654 649	1 703 379
Trade and other payables from exchange transactions	(30 996 295)	(29 206 053)
Trade and other payables from non-exchange transactions	4 367 778	(4 723 685)
Finance lease obligation	(752 585)	(1 700 943)
Cash and cash equivalents	123 898 082	146 051 034

The above financial instruments are measured at amortised cost. The 2020 comparative amount has been restated - see note 50.

### Market risk

#### Interest rate risk

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

Municipality is exposed to interest rate risk on its investments. The municipality have insignificant interest risk exposure in the form of finance costs from finance lease obligation, however the fluctuation in interest rates will not hinder any of the municipality operations.

A sensitivity analysis is done by the Municipality on a continuous bases to determine its potential exposure to interest rate charges. Different scenarios are simulated which include renewal of current position and alternative financing. Based on those scenarios the municipality calculates the impact a change in interest will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

This risk is managed by investing in investments with different maturity dates. This enables the Municipality to re-allocate some of the investments in the event of major fluctuations in interest rates.

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### 46. Deviation from supply chain management regulations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, the Accounting Officer must sign-off all the deviations and minor breaches of the procurement processes. A register of such breaches must also be kept. The deviation report includes the limited bidding procurement, emergency procurement, urgent procurement and the unavoidable / gross deviations.. The following expectations were recorded for the period under review:

DATE	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
29/06/2020	426F2 Backhoe Loader TLB	1 142 460.33	Transversal Tender
24/07/2020	Renting Photocopy Machines	201 509.91	Section 32
27/07/2020	Renting Photocopy Machines	226 315.53	Section 32
06/07/2020	Payment for service and mini truck	4 726.65	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
14/07/2020	Replacement of bonnet :FFG 809L	9 885.45	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
28/07/2020	Service for FGG 646L	14 096.38	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
12/08/2020	Renting Photocopy Machines	138 503,09	Section 32
08/08/2020	Repairs for FFX 778L	4 310.55	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
10/08/2020	Maintenance and service :CCR 567L	8 269.80	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
11/08/2020	Replacement of fuel pump:FFY 813L	5 759.55	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make

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28/08/2020	Accommodation	90 480.00	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
31/08/2020	Replacement of Pin Kit Disc B	4 308.80	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
26/08/2020	Renting Photocopy Machines	226 315.53	Section 32
04/08/2020	BMW 502D	668 000.00	Transversal Tender
04/08/2020	BMW320D	515 500.00	Transversal Tender
18/09/2020	Verification of Qualifications	18 570.00	SAQA is the only vetting institution registered with our organization
23/09/2020	MFMP TRAINING	214 230.63	Section 32
30/09/2020	Renting Photocopy Machines	138 503.09	Section 32
17/09/2020	Accommodation for MFMP	209 811.66	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
02/10/2020	Service of mini Truck:FFY776L	4 290.85	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
12/10/2020	Procurement of a new battery : DPS 476L	3 392.50	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
13/10/2020	Service for mini refuse Truck FFy774L	4 643.35	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
14/10/2020	Service and repairs for BZZ 584L	55 196.05	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
31/10/2020	Renting Photocopy Machines	239 165.99	Section 32
30/11/2020	Renting Photocopy Machines	241 673.71	Section 32
11/11/2020	Training for M. Mogoboya	8048.85	The Institution that Provides the Road Safety Summit/ Training

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17/11/2020	Accommodation	206 037.24	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
23/11/2020	Accommodation	83 181.66	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
03/12/2020	Verification of Qualifications for budget clerk, Scm clerk, Epwp Officer , Finance Intern	29850.00	SAQA is the only vetting institution registered with our organization
31/12/2020	Renting Photocopy Machines	243 074.80	Section 32
31/12/2020	MFMP TRAINING	1 210 285.00	Section 32
11/12/2020	Service HINO 300 FFY 776L	8 314.25	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
22/12/2020	Service and Repair for BZZ 584L	52 756.09	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make.
28/12/2020	Repairs for Toyota quantum :FFK 205L	7 500.00	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
27/01/2021	Calibration of speed measuring machines	10 526,99	The only service provider for calibration of speed measuring machines
31/01/2021	Renting Photocopy Machines	71 790.21	Section 32
31/01/2021	Renting Photocopy Machines	138 503.09	Section 32
05/01/2021	Service and repairs :FFY 809L	7 001.95	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
28/02/2021	Renting Photocopy Machines	93 054.61	Section 32
28/02/2021	Renting Photocopy Machines	138 503.09	Section 32
02/02/2021	Services for waste Truck :FGG 646L	19 738.85	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make

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08/02/2021	Spare parts for grader :GFF 841L	17 510.92	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
13/02/2021	Procure RoD Tie and Socket :Dff 841L	18 606.90	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
15/02/2021	Services and repairs FFG 805L	7 341.30	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
28/02/2021	Repairs:FFY 774L	7 500.00	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
31/03/2021	Renting Photocopy Machines	99 776.62	Section 32
01/03/2021	Service and repairs	10 328.75	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
01/03/2021	Services for FFG 814L	8 885.60	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
01/03/2021	Car parts DPS 476L	11 393.05	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
01/03/2021	Service and repairs FFG 809L	5 013.45	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
05/03/2021	Accommodation	53 913.60	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
05/03/2021	Accommodation	32 323.20	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
14/03/2021	Procurement of service:FHS 832L	40 223.32	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make.
15/03/2021	Services and repairs	5 821.25	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make



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25/03/2021	Repairs renew service:BZZ 584L	33 027.95	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
25/03/2021	Repairs and services FFG 803L	2 939.90	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
30/03/2021	Accommodation for MFMP	144 926.70	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
30/03/2021	Repair and services :FFY 774L	13 834.56	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
28/04/2021	Renting Photocopy Machines	257 159.54	Section 32
13/04/2021	Accommodation and Conference	145 657.63	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
26/04/2021	Service for :FFG 809L	5 389.95	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
26/04/2021	Service for FFG 814L	2 017.85	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
29/04/2021	Accommodation for MFMP	190 052.54	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
25/05/2021	Renting Photocopy Machines	263 221.91	Section 32
18/05/2021	Accommodation for MFMP	190 156.59	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse
24/05/2021	Services and repair :FFG 813L	4 954.50	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make
31/05/2021	Services and repair	16 052.60	The repairs and maintenance services of Municipal Vehicle are done at a dealership of that particular car make

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10/06/2021	Verification of Qualifications	9 625.00	SAQA is the only vetting institution registered with our organization
10/06/2021	Registration Fee	16 071.83	The only institution providing this service
14/06/2021	Advertising Erratum for Maruleng low level Bridges Mamefja and Sofaya	5175.00	To effect changes on advertised tenders through same media
15/06/2021	Advertising Erratum for tender of Asset Register	15 525.00	To effect changes on advertised tenders through same media
22/06/2021	Renting Photocopy Machines	265 532.16	Section 32
22/06/2021	MFMP TRAINING	640 217.50	Section 32
27/06/2021	Appointment for the Supply and Delivery of Caterpillar 426F2 Backhole Loader 4x4 in line with transversal contract	1 026 262.40	Section 32
30/06/2021	Advertising notice for Rates Ratios and By-law	5044.00	The only institution providing this service
29/06/2021	Supply & Delivery of Two Bakkies	335 524.00	Section 32
29/06/2021	Supply & Delivery of Two Bakkies	216 988.50	Section 32
10/06/2021	Accommodation for officials MFMP	190 152.54	3 Quotations are required as putting on an advert would delay the procurement process and check in would lapse

#### 47. Prepayments

The municipality has acquired Land during the financial year to the value of R17 000 000, the Land is the process of registration with the deeds office and the Municipality had no control of the Land acquired as at 30 June 2021. A prepayment of the value of the Land was paid to the lawyers before year end.

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Figures in Rand	2021	2020
<b>48. Remuneration of councillors</b>		
Mayor	901 659	887 779
Executive Committee Members	2 460 331	2 455 936
Speaker	729 488	729 488
Councillors part time	6 341 788	6 341 788
Councillors full time	686 446	686 446
	<b>11 119 712</b>	<b>11 101 437</b>

### In-kind benefits

Councillors are classified based on their respective positions as at 30 June 2021 or the last day of service, as the case may be.

The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has access to a municipal vehicle for official duties and is allocated a municipal house that can also be used to entertain official guests.

The 2020 comparative figures have been restated/ reclassified within councillors's remuneration note. See note 50

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>49. Contracted services</b>		
<b>Presented previously</b>		
Refuse and waste removal	7 411 803	7 967 958
Outsourced services: Security Services	11 796 417	8 041 139
	<b>19 208 220</b>	<b>16 009 097</b>

## 50. Correction of prior year errors

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:

2020	Notes	As previously reported	Correction of error	Re-classification	Restated
<b>Statement of financial position</b>					
Property, plant and equipment	(a)	538 337 787	(294 442)	-	538 043 345
Infrastructure - roads	(b)	-	-	23 677 723	23 677 723
WIP - Infrastructure	(b)	-	-	(23 677 723)	(23 677 723)
Receivables from non-exchange transactions	(c)	23 996 101	(2 162 546)	-	21 833 555
Accumulated surplus adjustment as a result of recording the omitted assets	(d)	(678 186 955)	2 456 988	-	(675 729 967)
		<b>- (115 853 067)</b>	<b>-</b>	<b>-</b>	<b>(115 853 067)</b>

2020	Notes	As previously reported	Error	Re-classification	Total
<b>Statement of financial performance</b>					
Depreciation and amortisation	(e)	20 202 463	257 081	-	20 459 544
Loss on disposal of assets	(f)	557 078	50 522	-	607 600
Property rates	(g)	(93 244 056)	2 162 546	-	(91 081 510)
Donation of assets	(h)	-	(6 812)	-	(6 812)
Surplus for the year adjustment as a result of revenue and expenditure adjustments	(i)	89 094 220	(2 463 337)	-	86 630 883
	<b>0</b>	<b>16 609 705</b>	<b>-</b>	<b>-</b>	<b>16 609 705</b>

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2021

2020

### Cash flow statement

As a result of prior period errors, the cash flow June 2021 was restated to reflect accurate figures.

### Notes

#### Statement of Financial Position:

(a) Property, plant and equipment:

- Accumulated depreciation for Roads infrastructure not previously capitalised R 256 877
- Accumulated depreciation for Donated library books donated in the prior year R 204
- Capitalisation of donated assets R 6 812
- Correction of opening balances for movable assets previously auctioned R44 164.

(b) Roads infrastructure and Work in progress:

- Roads/Work in Progress Complete road project was not capitalised in the year that it was completed. Reclassification of Roads from work in progress R 23 677 723

(c) Receivables from non-exchange transactions:

- Adjustments of R 2 162 546 were processed on the property rates billing based on the current year supplementary valuation report (SVR) which also included effective dates that date back to the previous year, those adjustments were implemented retrospectively to enable management to record transactions in the year that they relate to.

(d) Accumulated surplus:

- Adjustment of receivables from non-exchange of R 2 162 546
- Property plant and equipment of R 294 442

#### Statement of Financial Performance:

(e) Depreciation and amortisation:

- Depreciation for Roads infrastructure not previously capitalised R 256 877
- Depreciation for library books on donated assets R 204.

(f) Loss on disposals of assets:

- Assets were approved for write-off and were auctioned during the 2020/2021 financial year. The assets were still in the fixed assets register even after having auctioned.

(g) Property rates

- Adjustments of R 2 162 546 were processed on the property rates billing based on the current year supplementary valuation report (SVR) which also included effective dates that date back to the previous year, those adjustments were implemented retrospectively to enable management to record transactions in the year that they relate to.

(h) Donation of Heritage assets:

- Library books were donated in the 2019/2020 financial year however the books were not recorded in the fixed assets. The asset management unit only got hold of the donation letter in the 2020/2021 financial period.

(i) Surplus for the year

- Aggregate adjustment on the errors noted above.

### Disclosure:

Commitments\_Change in commitments on property plant and equipment to the value of R 2 490 492 due to the inclusion of completed projects that were still reflecting in the commitment register.

Councillors remunerations\_change in presentation of the note to reflect the error on misclassification of councilors travel

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## Notes to the Annual Financial Statements

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allowances been swapped around. Remuneration for Mayor was adjusted by R 88 866, Executive Committee Council remuneration was adjusted by R 18 741 and the Full time councilors remuneration was adjusted by R 107 607 to clear the error.

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 51. Financial instruments disclosure

#### Categories of financial instruments

##### 2021

#### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2 585 627	2 585 627
Other receivables	1 692 529	1 692 529
Receivables from non-exchange transactions	33 083 687	33 083 687
Cash and cash equivalents	123 898 082	123 898 082
	<b>161 259 925</b>	<b>161 259 925</b>

#### Financial liabilities

	At amortised cost	Total
Finance lease obligation	752 585	752 585
Payables from exchange transactions	30 996 295	30 996 295
Trade and other payables from non-exchange	4 367 778	4 367 778
	<b>36 116 658</b>	<b>36 116 658</b>

##### 2020

#### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 110 350	1 110 350
Other receivables	1 703 379	1 703 379
Receivables from non-exchange transactions	21 833 555	21 833 555
Cash and cash equivalents	146 051 034	146 051 034
	<b>170 698 318</b>	<b>170 698 318</b>

#### Financial liabilities

	At amortised cost	Total
Finance lease obligation	1 700 943	1 700 943
Payables from exchange transactions	29 206 053	29 206 053
Trade and other payables from non-exchange	4 723 685	4 723 685
	<b>35 630 681</b>	<b>35 630 681</b>

#### Financial instruments in Statement of financial performance

#### Notes

None the Municipality's financial assets were pledged as security for financial liabilities.

The 2020 comparative amount has been restated - see note 50.

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## Notes to the Annual Financial Statements

Figures in Rand

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### 52. Segment information

#### General information

##### Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Roads, community halls and waste management services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

##### Aggregated segments

The municipality operates in Limpopo Province covering 33 rural communities within Mopani district. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments in Limpopo were sufficiently similar to warrant aggregation.

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

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

##### Reportable segment

Roads  
Community Halls and Facilities  
Waste management

##### Goods and/or services

Building of roads infrastructure for the community  
Building of community halls and sports facilities  
Providing the refuse removal



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### Segment surplus or deficit, assets and liabilities

2021

	Total segment revenue	Total segment expenditure	Total segment surplus / (deficit)	Eliminations	Total
<b>Revenue</b>					
Roads	46 704 407	(9 648 504)	-	37 055 904	74 111 807
Community Halls and Facilities	1 879 166	(32 165 050)	-	30 285 884	-
Waste management	4 037 440	(7 272 762)	-	3 235 323	1
<b>Total segment revenue</b>	<b>52 621 013</b>	<b>(49 086 316)</b>	<b>-</b>	<b>70 577 111</b>	<b>74 111 808</b>
<b>Entity's revenue</b>					<b>74 111 808</b>
<b>Total segmental surplus/(deficit)</b>					<b>74 111 808</b>
<b>Assets</b>					
Segment assets	-	-	46 295 943	-	46 295 943
<b>Total assets as per Statement of financial Position</b>					<b>46 295 943</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

### Information about geographical areas

The municipality's operations are in the Limpopo Province within the Mopani District.

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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Figures in Rand

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### 53. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

#### Details of the arrangement(s) is are as follows:

The municipality has been appointed to distribute water to local residences as distribution agent by the district municipality for which it is then entitled to a commission/agency fee for service rendered. The municipality accounts for revenue, expenditures and receivables relating to water transactions into loan account and it is disclosed under the same section of the annual financial statements. Refer to disclosure note for other receivables for full details note 7. The municipality is entitled to 5%

The municipality is also a party to an agreement between the municipality and the department of roads and transport to collect revenue licensing and permits. The municipality is entitled to 20% of the revenue collected.

There are no significant risks associated with the arrangement.

The municipality is the agent.

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### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the Municipality recognised as compensation for the transactions carried out on behalf of the principal (dept of roads) is R2 587 946 (2020: R1 894 296).

#### Liabilities and corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R 29 039 428 (2019: R 27 885 421) for District municipality and R 61 040 (2019: R 76 020) for the department of roads and transport.

### Additional information

#### Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

##### Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Services charges - Water and sanitation	District
Licensing and permits	Department of roads and transport

##### Category(ies) of expenses paid or accrued on behalf of the principal, are:

Categories	Additional details
Employee related costs	District employees
Repairs and maintenance	Water and sanitation
General expenses	Water and sanitation

#### Amount of revenue received on behalf of the principal during the reporting period

Services charges - Water and sanitation	4 500 355	3 845 874
Licensing and permits	11 969 165	8 750 069
	<b>16 469 520</b>	<b>12 595 943</b>

#### Amount of expenses paid on behalf of the principal during the reporting period

Employee related costs	5 268 790	4 695 976
Repairs and maintenance	276 992	299 863
General expenses	536 728	716 310
	<b>6 082 510</b>	<b>5 712 149</b>

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

##### Reconciliation of the carrying amount of receivables

<b>Service charges - Water and sanitation _District</b>		
Opening balance	27 885 420	25 729 186
Revenue that principal is entitled to	(3 554 469)	(3 801 109)
Amounts of expenses paid on behalf of the principal	6 082 512	5 712 149
Cash received from the principal	(1 600 000)	-
Other - agency fee	225 965	245 194
	<b>29 039 428</b>	<b>27 885 420</b>

### All categories

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Opening balance	27 885 420	25 729 186
Revenue that principal is entitled to	(3 554 469)	(3 801 109)
Write-offs, settlements or waivers of amounts that reduce the amount that the principal is entitled to	6 082 512	5 712 149
Cash received on behalf of the principal	(1 600 000)	-
Other	225 965	245 194
	<b>29 039 428</b>	<b>27 885 420</b>

### Reconciliation of the carrying amount of payables

#### Licensing and permits - Department of roads and transport

Opening balance	(76 020)	(10 619)
Cash received on behalf of the principal	(11 954 185)	(8 815 470)
Amounts transferred to the principal	11 969 165	8 750 069
	<b>(61 040)</b>	<b>(76 020)</b>

Entity as principal