

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021



## MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements  
for the year ended 30 June 2021

Auditor-General of South Africa  
Chartered Accountants (S.A.)  
Registered Auditors

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\* See Note

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Legal form of entity

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution of the Republic of South Africa.

### Nature of business and principal activities

Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.

### Executive Committee

Cllr T.P Mamrobela  
Cllr N.D Davhana  
Cllr T.J Mamafha  
Cllr T.D Ratshikuni  
Cllr S Masuka  
Cllr T.G Mukwevho  
Cllr N.F Chililo  
Cllr N.B Jones  
Cllr A Matumba

### Mayor

Cllr N.S Munyai

### Speaker

Cllr L.B Mogale

### Chief whip

Cllr M.D Mboyi

### Councilors

Cllr T.J Mohlaba  
Cllr L.G Masutha  
Cllr K.M Maluleke  
Cllr T Balibali  
Cllr T.C Mamafha  
Cllr T.E Tambani  
Cllr T.M Babadu  
Cllr A Du Plooy  
Cllr M Kanukani  
Cllr E Maduwa  
Cllr V.S Luduvhungu  
Cllr E.T Sithi  
Cllr S.Z Mthombeni  
Cllr P.N Musandiwa  
Cllr M.D Ndou  
Cllr J.N Simangwe  
Cllr E.M Mulefu  
Cllr M.S Machete  
Cllr N.V Malivha  
Cllr R.M Magada  
Cllr G.M Ramushavha  
Cllr M.A Mashamba  
Cllr M.J Gabara  
Cllr T Kutama  
Cllr N Kutama  
Cllr S.S Nyelisani  
Cllr S.M Sinyosi  
Cllr N.S Nemudzivhadi  
Cllr F.N Madzhiga  
Cllr S Masuka

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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Cllr S Madula  
Cllr L.M Mathalise  
Cllr K.S Ramavhoya  
Cllr M.R Makgoadi  
Cllr L.R Tshiambwa  
Cllr G.R Rashamuse  
Cllr F.B Hlongwane  
Cllr M.E Malima  
Cllr T Seshoki  
Cllr M.C Nematandani  
Cllr R Raliphada  
Cllr N.A Mafhala  
Cllr T.A Maraga  
Cllr G Tsibvumo  
Cllr T.E Dzivhani  
Cllr T.M Malange  
Cllr S.S Tshifura  
Cllr M.A Selapanya  
Cllr M.N Ndou  
Cllr M.J Mpashe  
Cllr M.G Phoshoko  
Cllr M.G Furumule  
Cllr M.F Nethulwe  
Cllr A.A Raphalalani  
Cllr I.S Bulala  
Cllr N Munyai  
Cllr J Lukheli  
Cllr R.T Maingo  
Cllr M.F Mukhari  
Cllr M.L Masipa  
Cllr M.S Tshilambyana  
Cllr L.G Maduwa

### Audit and Performance Audit Committee

Ms J Masite(Chairperson)  
Matenzhe Ntsieni Stanley  
Ramuedzisi Vhonani Denga

### Acting Accounting Officer

K.M Nemaname

### Acting Chief Finance Officer (CFO)

G. Raliphada

### Grading of local authority

4

### Registered office

Corner Krogh and Erasmus Street  
Makhado  
0920

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Business address</b> | Corner Krogh and Erasmus Street<br>Makhado<br>0920                                                                                                                                                                                                                                                                                                                                               |
| <b>Postal address</b>   | Private Bag X2596<br>Makhado<br>0920                                                                                                                                                                                                                                                                                                                                                             |
| <b>Bankers</b>          | First National Bank                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Auditors</b>         | Auditor-General of South Africa<br>Chartered Accountants (S.A.)<br>Registered Auditors                                                                                                                                                                                                                                                                                                           |
| <b>Attorneys</b>        | Panel of attorneys of the Municipality<br>Tambani Matumba Attorneys<br>Makhuvha EM & Greg Munonde JV<br>Wisani Baloyi Incorporated<br>Lebea & Associates Attorneys<br>Kgoroadira Mudau Incorporated<br>Nthambeleni Dabishi Attorneys Inc<br>S Muedi Incorporated<br>TT Ngobeni Attorneys<br>Rerani Mawila JV Attorneys<br>Gogome Inc Attorneys<br>Popela Maake Inc<br>Mudau Netshipise Attorneys |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Index

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

|                                                                                                 | <b>Page</b> |
|-------------------------------------------------------------------------------------------------|-------------|
| Accounting Officer's Responsibilities and Approval                                              | 6           |
| Accounting Officer's Report                                                                     | 7 - 9       |
| Statement of Financial Position                                                                 | 10          |
| Statement of Financial Performance                                                              | 11          |
| Statement of Changes in Net Assets                                                              | 12          |
| Cash Flow Statement                                                                             | 13          |
| Statement of Comparison of Budget and Actual Amounts                                            | 14 - 17     |
| Appropriation Statement                                                                         | 18 - 19     |
| Accounting Policies                                                                             | 20 - 53     |
| Notes to the Annual Financial Statements                                                        | 54 - 105    |
| Appendixes:                                                                                     |             |
| Appendix B: Analysis of Property, Plant and Equipment                                           | 106         |
| Appendix C: Actual versus Budget (Revenue and Expenditure)                                      | 113         |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act | 115         |

|          |                                          |
|----------|------------------------------------------|
| GRAP     | Generally Recognised Accounting Practice |
| MFMA     | Municipal Finance Management Act         |
| MIG      | Municipal Infrastructure Grant           |
| COVID-19 | Corona Virus Disease                     |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## 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 financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting 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.

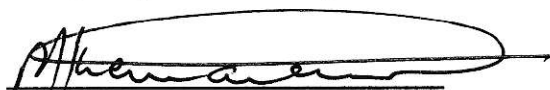
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable 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 Makhado Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's council.

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.

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



**K.M Nemaname**  
**Acting Accounting Officer**

**31 August 2021**

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality's total income for the period ended 30 June 2021 increased to R1 238 834 025 compared R1 004 843 408 prior year being 23% increase. Below table analyses the total income of the municipality in a particular financial period as a proportion of the type of income of the municipality. For the period ended 30 June 2021, Grants and subsidies was the major contributor to total income of the municipality with a 47.3% [2020:46%] contributing factor followed by service charges contributed 36.2% [2020: 36%] of the total income, which was mainly sale of electricity as well as refuse collection.

Net surplus of the municipality was 222 408 464 (2020: surplus 33 115 512).

#### Proportion of income generated/raised

##### 2021

| Type of income                                 | Proportion of contribution to income | Amount      |
|------------------------------------------------|--------------------------------------|-------------|
| Service charges                                | 36.2 %                               | 448 765 782 |
| Property rates                                 | 7 %                                  | 87 658 434  |
| Grants and subsidies                           | 47.3 %                               | 585 528 084 |
| Traffic fines                                  | 0.5 %                                | 5 256 032   |
| Licence & permits                              | 0.4 %                                | 4 465 794   |
| Agency services                                | 0.3 %                                | 4 084 953   |
| Interest on debtors: Exchange transactions     | 0.7 %                                | 8 642 650   |
| Interest on debtors: Non-exchange transactions | 1.3 %                                | 16 208 507  |
| Bank interest received                         | 0.4 %                                | 5 137 404   |
| Other income                                   | 5.9 %                                | 73 086 385  |

##### 2020

| Type of income                                 | Proportion of contribution to income | Amount      |
|------------------------------------------------|--------------------------------------|-------------|
| Service charges                                | 36 %                                 | 362 565 484 |
| Property rates                                 | 8 %                                  | 81 250 406  |
| Grants and subsidies                           | 46 %                                 | 465 759 695 |
| Traffic fines                                  | 0.1 %                                | 1 475 464   |
| Licence & permits                              | 0.4 %                                | 4 055 180   |
| Agency services                                | 0.4 %                                | 3 740 577   |
| Interest on debtors: Exchange transactions     | 0.9 %                                | 8 901 060   |
| Interest on debtors: Non-exchange transactions | 1.3 %                                | 12 799 669  |
| Bank interest received                         | 0.7 %                                | 6 980 644   |
| Other income                                   | 5.7 %                                | 57 315 229  |

### 2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of 1 814 104 438 and that the municipality's total assets exceed its liabilities by 1 814 104 438.

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

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

Due to the provision on financial and other resources on a special adjustment budget as well as in future budgets to contain the COVID-19 pandemic effectively our, Municipality had no significant financial loss at 30 June 2021. Continued assessments will be performed to ensure that the COVID-19 pandemic demands are met without interruptions in service delivery.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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### 3. Subsequent events

The accounting officer is not aware of any material events that occurred between the end of the reporting period 30 June 2021 and the date that the financial statements are authorised for issue.

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

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

### 5. Accounting policies

The annual financial statements were prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) including any interpretation of such Statements issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. The effect of the COVID-19 pandemic

The economic climate in which South Africa currently finds itself in has seen the shrinking of National, Provincial and local budgets due to actions taken to implement measures to curb the COVID-19 pandemic and the accompanying nation-wide lockdown. The lockdown not only affected individuals negatively but also had a negative impact on the revenues of municipalities at a time that demands have increases.

The first task at hand after the announcement of the pandemic and nation-wide lockdown was the approval of an adjustment budget where our municipality had to align the resources at our disposal to meet the requirements of the COVID-19 pandemic. This had to be done to ensure that the fight against COVID-19 does not affect service delivery negatively. Makhado Local Municipality received additional allocation of R84 million during the financial year and was used according to the guideline/circular issued by National Treasury.

### 7. Accounting Officer

The acting accounting officer of the municipality is as follows:

|              |               |
|--------------|---------------|
| Name         | Nationality   |
| K.M Nemaname | South African |

### 8. Corporate governance

#### General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

#### Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to 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;

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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### Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of her by the Remuneration of Public Office Bearers Act No. 20 of 1998.

### Committee meetings

The accounting officer meets on scheduled basis with the Executive Committee as well as the Audit & Performance Audit Committee. The Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality. Furthermore, the accounting officer meets with the Municipal Public Accounts Committee (MPAC) as and when the need arises.

### Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Makhado Local Municipality must appoint members of the Audit and Performance Committee.

### Internal audit

The municipality has an internal audit function, which is in compliance with the Municipal Finance Management Act, 2003 section 165.

### 9. Bankers

First National Bank is the municipality's bank. The municipality's bankers did not change during the current year.

### 10. Auditors

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

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



**K.M Nemaname**  
Acting Accounting Officer

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

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<br>Restated*    |
|-----------------------------------------------|---------|----------------------|----------------------|
| <b>Assets</b>                                 |         |                      |                      |
| <b>Non-Current Assets</b>                     |         |                      |                      |
| Investment property                           | 2       | 15 583 573           | 15 965 284           |
| Property, plant and equipment                 | 3       | 1 601 839 062        | 1 578 450 620        |
| Intangible assets                             | 4       | 1 866 388            | 2 117 659            |
| Heritage assets                               | 5       | 2 160 329            | 2 160 329            |
|                                               |         | <b>1 621 449 352</b> | <b>1 598 693 892</b> |
| <b>Current Assets</b>                         |         |                      |                      |
| Inventories                                   | 8       | 127 528 573          | 125 331 923          |
| Sundry Debtors                                | 9       | 49 061 548           | 21 925 546           |
| Receivables from non-exchange transactions    | 10      | 759 650              | 301 300              |
| Consumer debtors - Exchange transactions      | 11      | 118 939 273          | 49 523 617           |
| Consumer debtors - Non- Exchange transactions | 11      | 46 802 524           | 25 615 019           |
| Cash and cash equivalents                     | 12      | 205 786 440          | 143 651 586          |
|                                               |         | <b>548 878 008</b>   | <b>366 348 991</b>   |
| <b>Total Assets</b>                           |         | <b>2 170 327 360</b> | <b>1 965 042 883</b> |
| <b>Liabilities</b>                            |         |                      |                      |
| <b>Current Liabilities</b>                    |         |                      |                      |
| Employee benefit obligation                   | 7       | 6 386 000            | 4 922 000            |
| Finance lease obligation                      | 13      | 686 149              | 183 118              |
| Unspent conditional grants and receipts       | 14      | -                    | 10 487 434           |
| Rehabilitation provision                      | 15      | 3 000 000            | 2 000 000            |
| Deferred Income                               | 16      | 147 645              | 147 200              |
| Payables from exchange transactions           | 17      | 169 999 925          | 182 187 600          |
| VAT payable                                   | 18      | 10 056 949           | 23 768 088           |
| Consumer deposits                             | 19      | 16 028 591           | 16 566 522           |
|                                               |         | <b>206 305 259</b>   | <b>240 261 962</b>   |
| <b>Non-Current Liabilities</b>                |         |                      |                      |
| Employee benefit obligation                   | 7       | 108 718 000          | 94 594 000           |
| Finance lease obligation                      | 13      | 1 057 797            | -                    |
| Rehabilitation provision                      | 15      | 40 141 866           | 38 237 777           |
|                                               |         | <b>149 917 663</b>   | <b>132 831 777</b>   |
| <b>Total Liabilities</b>                      |         | <b>356 222 922</b>   | <b>373 093 739</b>   |
| <b>Net Assets</b>                             |         | <b>1 814 104 438</b> | <b>1 591 949 144</b> |
| Accumulated surplus                           |         | 1 814 104 438        | 1 591 949 144        |
| <b>Total Net Assets</b>                       |         | <b>1 814 104 438</b> | <b>1 591 949 144</b> |

\* See Note 44

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2021                   | 2020<br>Restated*    |
|-----------------------------------------------------|---------|------------------------|----------------------|
| <b>Revenue</b>                                      |         |                        |                      |
| <b>Revenue from exchange transactions</b>           |         |                        |                      |
| Service charges                                     | 21      | 448 765 782            | 362 565 484          |
| Rental of facilities and equipment                  | 22      | 256 904                | 381 680              |
| Agency services                                     | 24      | 4 084 953              | 3 740 577            |
| Licences and permits                                | 25      | 4 465 794              | 4 055 180            |
| Interest earned -outstanding receivables            | 26      | 8 642 650              | 8 901 060            |
| Other income                                        | 27      | 72 829 481             | 56 933 549           |
| Interest received from financial institutions       | 28      | 5 137 404              | 6 980 644            |
| <b>Total revenue from exchange transactions</b>     |         | <b>544 182 968</b>     | <b>443 558 174</b>   |
| <b>Revenue from non-exchange transactions</b>       |         |                        |                      |
| <b>Taxation revenue</b>                             |         |                        |                      |
| Interest earned -outstanding receivables            | 26      | 16 208 507             | 12 799 669           |
| Property rates                                      | 29      | 87 658 434             | 81 250 406           |
| <b>Transfer revenue</b>                             |         |                        |                      |
| Fines, penalties and forfeits                       | 23      | 5 256 032              | 1 475 464            |
| Government grants & subsidies                       | 30      | 585 528 084            | 465 759 695          |
| <b>Total revenue from non-exchange transactions</b> |         | <b>694 651 057</b>     | <b>561 285 234</b>   |
| <b>Total revenue</b>                                | 20      | <b>1 238 834 025</b>   | <b>1 004 843 408</b> |
| <b>Expenditure</b>                                  |         |                        |                      |
| Employee related costs                              | 31      | (287 366 574)          | (268 232 231)        |
| Remuneration of councillors                         | 32      | (26 157 677)           | (26 436 244)         |
| Depreciation and amortisation                       | 33      | (126 159 761)          | (120 952 423)        |
| Impairment of non cash generating assets            | 34      | (1 503 462)            | (2 083 146)          |
| Finance costs                                       | 35      | (12 225 949)           | (10 158 943)         |
| Debt Impairment                                     | 36      | (54 958 048)           | (52 861 997)         |
| Bulk purchases                                      | 37      | (275 609 956)          | (268 243 892)        |
| Contracted services                                 | 38      | (168 029 272)          | (123 010 067)        |
| Loss on disposal of assets                          |         | -                      | (2 918 070)          |
| General Expenses                                    | 39      | (64 414 862)           | (96 830 883)         |
| <b>Total expenditure</b>                            |         | <b>(1 016 425 561)</b> | <b>(971 727 896)</b> |
| <b>Surplus for the year</b>                         |         | <b>222 408 464</b>     | <b>33 115 512</b>    |

\* See Note 44

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

| Figures in Rand                             | Accumulated surplus  | Total net assets     |
|---------------------------------------------|----------------------|----------------------|
| Opening balance as previously reported      | 1 558 090 488        | 1 558 090 488        |
| Adjustments                                 |                      |                      |
| Prior year adjustments [Note 44]            | 743 844              | 743 844              |
| <b>Balance at 01 July 2019 as restated*</b> | <b>1 558 834 332</b> | <b>1 558 834 332</b> |
| Changes in net assets                       |                      |                      |
| Surplus for the year [Restated - Note 44]   | 33 115 512           | 33 115 512           |
| Total changes                               | 33 115 512           | 33 115 512           |
| Adjustments                                 |                      |                      |
| Prior year adjustments [Note 44]            | (700)                | (700)                |
| <b>Balance at 01 July 2020 as restated*</b> | <b>1 591 949 144</b> | <b>1 591 949 144</b> |
| Changes in net assets                       |                      |                      |
| Surplus for the year                        | 222 408 464          | 222 408 464          |
| Changes recognised directly in net assets   | (253 170)            | (253 170)            |
| Total changes                               | 222 155 294          | 222 155 294          |
| <b>Balance at 30 June 2021</b>              | <b>1 814 104 438</b> | <b>1 814 104 438</b> |

\* See Note 44

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

| Figures in Rand                                             | Note(s) | 2021                        | 2020<br>Restated*           |
|-------------------------------------------------------------|---------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                 |         |                             |                             |
| <b>Receipts</b>                                             |         |                             |                             |
| Property rates                                              |         | 60 490 947                  | 55 623 433                  |
| Service charges                                             |         | 398 602 258                 | 328 329 996                 |
| Grants                                                      |         | 575 040 650                 | 472 774 000                 |
| Traffic Fines & Penalties                                   |         | 1 758 132                   | 1 788 285                   |
| Licence & permits                                           |         | 4 455 681                   | 4 265 433                   |
| Other income                                                |         | 55 308 066                  | 10 899 296                  |
| VAT Received                                                |         | 28 228 609                  | 21 507 896                  |
| Interest Income                                             |         | 9 516 129                   | 10 106 575                  |
|                                                             |         | <u>1 133 400 472</u>        | <u>905 294 914</u>          |
| <b>Payments</b>                                             |         |                             |                             |
| Employee costs                                              |         | (273 838 932)               | (257 584 688)               |
| Remuneration of council                                     |         | (26 157 677)                | (26 436 244)                |
| Payments to suppliers                                       |         | (543 950 461)               | (401 422 008)               |
| Finance costs                                               |         | (880)                       | (38 164)                    |
|                                                             |         | <u>(843 947 950)</u>        | <u>(685 481 104)</u>        |
| <b>Net cash flows from operating activities</b>             | 40      | <b><u>289 452 522</u></b>   | <b><u>219 813 810</u></b>   |
| <b>Cash flows from investing activities</b>                 |         |                             |                             |
| Purchase of property, plant and equipment                   | 3       | (228 035 999)               | (169 279 064)               |
| Proceeds from sale of property, plant and equipment         | 3       | 1 890 000                   | 2 928 794                   |
| Purchase of other intangible assets                         | 4       | (712 880)                   | (1 086 000)                 |
| <b>Net cash flows from investing activities</b>             |         | <b><u>(226 858 879)</u></b> | <b><u>(167 436 270)</u></b> |
| <b>Cash flows from financing activities</b>                 |         |                             |                             |
| Finance lease payments                                      |         | (458 789)                   | (561 132)                   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>62 134 854</b>           | <b>51 816 408</b>           |
| Cash and cash equivalents at the beginning of the year      |         | 143 651 586                 | 91 835 178                  |
| <b>Cash and cash equivalents at the end of the period</b>   | 12      | <b><u>205 786 440</u></b>   | <b><u>143 651 586</u></b>   |

\* See Note 44

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                                     | Approved<br>budget   | Adjustments        | Final Budget         | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference           |
|-----------------------------------------------------|----------------------|--------------------|----------------------|------------------------------------------|-----------------------------------------------------|---------------------|
| Figures in Rand                                     |                      |                    |                      |                                          |                                                     |                     |
| <b>Statement of Financial Performance</b>           |                      |                    |                      |                                          |                                                     |                     |
| <b>Revenue</b>                                      |                      |                    |                      |                                          |                                                     |                     |
| <b>Revenue from exchange transactions</b>           |                      |                    |                      |                                          |                                                     |                     |
| Service charges                                     | 375 820 000          | -                  | <b>375 820 000</b>   | 448 765 782                              | <b>72 945 782</b>                                   | Refer to Appendix C |
| Rental of facilities and equipment                  | 361 000              | -                  | <b>361 000</b>       | 256 904                                  | <b>(104 096)</b>                                    | Refer to Appendix C |
| Interest earned - outstanding receivables           | 7 891 050            | -                  | <b>7 891 050</b>     | 8 642 650                                | <b>751 600</b>                                      |                     |
| Agency services                                     | -                    | -                  | -                    | 4 084 953                                | <b>4 084 953</b>                                    | Refer to Appendix C |
| Licences and permits                                | -                    | -                  | -                    | 4 465 794                                | <b>4 465 794</b>                                    |                     |
| Other income                                        | 37 250 000           | -                  | <b>37 250 000</b>    | 72 829 481                               | <b>35 579 481</b>                                   | Refer to Appendix C |
| Interest received - financial institutions          | 6 695 000            | (2 242 000)        | <b>4 453 000</b>     | 5 137 404                                | <b>684 404</b>                                      | Refer to Appendix C |
| <b>Total revenue from exchange transactions</b>     | <b>428 017 050</b>   | <b>(2 242 000)</b> | <b>425 775 050</b>   | <b>544 182 968</b>                       | <b>118 407 918</b>                                  |                     |
| <b>Revenue from non-exchange transactions</b>       |                      |                    |                      |                                          |                                                     |                     |
| <b>Taxation revenue</b>                             |                      |                    |                      |                                          |                                                     |                     |
| Property rates                                      | 83 070 000           | 4 371 000          | <b>87 441 000</b>    | 87 658 434                               | <b>217 434</b>                                      | Refer to Appendix C |
| Licences and Permits (Non-exchange)                 | 7 520 000            | (3 000 000)        | <b>4 520 000</b>     | -                                        | <b>(4 520 000)</b>                                  | Refer to Appendix C |
| Interest earned - outstanding receivables           | 14 798 950           | -                  | <b>14 798 950</b>    | 16 208 507                               | <b>1 409 557</b>                                    | Refer to Appendix C |
| <b>Transfer revenue</b>                             |                      |                    |                      |                                          |                                                     |                     |
| Government grants & subsidies                       | 572 384 000          | 9 593 000          | <b>581 977 000</b>   | 585 528 084                              | <b>3 551 084</b>                                    | Refer to Appendix C |
| Fines, Penalties and Forfeits                       | 2 795 000            | 2 000 000          | <b>4 795 000</b>     | 5 256 032                                | <b>461 032</b>                                      | Refer to Appendix C |
| <b>Total revenue from non-exchange transactions</b> | <b>680 567 950</b>   | <b>12 964 000</b>  | <b>693 531 950</b>   | <b>694 651 057</b>                       | <b>1 119 107</b>                                    |                     |
| <b>Total revenue</b>                                | <b>1 108 585 000</b> | <b>10 722 000</b>  | <b>1 119 307 000</b> | <b>1 238 834 025</b>                     | <b>119 527 025</b>                                  |                     |
| <b>Expenditure</b>                                  |                      |                    |                      |                                          |                                                     |                     |
| Personnel                                           | (295 607 000)        | 6 000 000          | <b>(289 607 000)</b> | (287 366 574)                            | <b>2 240 426</b>                                    | Refer to Appendix C |
| Remuneration of councillors                         | (30 410 000)         | -                  | <b>(30 410 000)</b>  | (26 157 677)                             | <b>4 252 323</b>                                    | Refer to Appendix C |
| Depreciation, amortisation & impairment             | (120 089 000)        | (14 911 000)       | <b>(135 000 000)</b> | (127 663 222)                            | <b>7 336 778</b>                                    | Refer to Appendix C |
| Finance costs                                       | (8 170 000)          | (4 245 000)        | <b>(12 415 000)</b>  | (12 225 949)                             | <b>189 051</b>                                      | Refer to Appendix C |
| Debt Impairment                                     | (51 135 000)         | (12 600 000)       | <b>(63 735 000)</b>  | (54 958 048)                             | <b>8 776 952</b>                                    | Refer to Appendix C |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                                                                                                  | Approved<br>budget   | Adjustments         | Final Budget           | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference              |
|------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|------------------------|------------------------------------------|-----------------------------------------------------|------------------------|
| Figures in Rand                                                                                                  |                      |                     |                        |                                          |                                                     |                        |
| Bulk purchases                                                                                                   | (269 822 000)        | (5 900 000)         | <b>(275 722 000)</b>   | (275 609 956)                            | <b>112 044</b>                                      | Refer to<br>Appendix C |
| Contracted Services                                                                                              | (129 084 000)        | (41 500 000)        | <b>(170 584 000)</b>   | (168 029 272)                            | <b>2 554 728</b>                                    | Refer to<br>Appendix C |
| General Expenses                                                                                                 | (93 971 000)         | 31 411 000          | <b>(62 560 000)</b>    | (64 414 863)                             | <b>(1 854 863)</b>                                  | Refer to<br>Appendix C |
| <b>Total expenditure</b>                                                                                         | <b>(998 288 000)</b> | <b>(41 745 000)</b> | <b>(1 040 033 000)</b> | <b>(1 016 425 561)</b>                   | <b>23 607 439</b>                                   |                        |
| <b>Actual Amount on Comparable<br/>Basis as Presented in the<br/>Budget and Actual<br/>Comparative Statement</b> | <b>110 297 000</b>   | <b>(31 023 000)</b> | <b>79 274 000</b>      | <b>222 408 464</b>                       | <b>143 134 464</b>                                  |                        |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                            | Approved<br>budget   | Adjustments         | Final Budget         | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--------------------------------------------|----------------------|---------------------|----------------------|------------------------------------------|-----------------------------------------------------|-----------|
| Figures in Rand                            |                      |                     |                      |                                          |                                                     |           |
| <b>Statement of Financial Position</b>     |                      |                     |                      |                                          |                                                     |           |
| <b>Assets</b>                              |                      |                     |                      |                                          |                                                     |           |
| <b>Current Assets</b>                      |                      |                     |                      |                                          |                                                     |           |
| Inventories                                | 142 419 000          | (29 569 000)        | <b>112 850 000</b>   | 127 528 573                              | <b>14 678 573</b>                                   |           |
| Sundry Debtors                             | 120 295 000          | 13 050 000          | <b>133 345 000</b>   | 49 061 548                               | <b>(84 283 452)</b>                                 |           |
| Receivables from non-exchange transactions | -                    | -                   | -                    | 759 650                                  | <b>759 650</b>                                      |           |
| Consumer debtors                           | 45 055 000           | (14 536 000)        | <b>30 519 000</b>    | 165 741 797                              | <b>135 222 797</b>                                  |           |
| Cash and cash equivalents                  | 150 645 000          | 37 835 000          | <b>188 480 000</b>   | 205 786 440                              | <b>17 306 440</b>                                   |           |
|                                            | <b>458 414 000</b>   | <b>6 780 000</b>    | <b>465 194 000</b>   | <b>548 878 008</b>                       | <b>83 684 008</b>                                   |           |
| <b>Non-Current Assets</b>                  |                      |                     |                      |                                          |                                                     |           |
| Investment property                        | 15 842 000           | -                   | <b>15 842 000</b>    | 15 583 573                               | <b>(258 427)</b>                                    |           |
| Property, plant and equipment              | 2 571 080 000        | (11 308 000)        | <b>2 559 772 000</b> | 1 601 839 062                            | <b>(957 932 938)</b>                                |           |
| Intangible assets                          | 4 618 000            | -                   | <b>4 618 000</b>     | 1 866 388                                | <b>(2 751 612)</b>                                  |           |
| Heritage assets                            | -                    | -                   | -                    | 2 160 329                                | <b>2 160 329</b>                                    |           |
|                                            | <b>2 591 540 000</b> | <b>(11 308 000)</b> | <b>2 580 232 000</b> | <b>1 621 449 352</b>                     | <b>(958 782 648)</b>                                |           |
| <b>Total Assets</b>                        | <b>3 049 954 000</b> | <b>(4 528 000)</b>  | <b>3 045 426 000</b> | <b>2 170 327 360</b>                     | <b>(875 098 640)</b>                                |           |
| <b>Liabilities</b>                         |                      |                     |                      |                                          |                                                     |           |
| <b>Current Liabilities</b>                 |                      |                     |                      |                                          |                                                     |           |
| Finance lease obligation                   | -                    | -                   | -                    | 686 149                                  | <b>686 149</b>                                      |           |
| Payables from exchange transactions        | 108 589 000          | 26 495 000          | <b>135 084 000</b>   | 169 999 925                              | <b>34 915 925</b>                                   |           |
| VAT Payable                                | -                    | -                   | -                    | 10 056 949                               | <b>10 056 949</b>                                   |           |
| Consumer deposits                          | 10 458 000           | -                   | <b>10 458 000</b>    | 16 028 591                               | <b>5 570 591</b>                                    |           |
| Employee benefit obligation                | 26 893 000           | -                   | <b>26 893 000</b>    | 6 386 000                                | <b>(20 507 000)</b>                                 |           |
| Rehabilitation provision                   | -                    | -                   | -                    | 3 000 000                                | <b>3 000 000</b>                                    |           |
| Deferred Income                            | -                    | -                   | -                    | 147 645                                  | <b>147 645</b>                                      |           |
|                                            | <b>145 940 000</b>   | <b>26 495 000</b>   | <b>172 435 000</b>   | <b>206 305 259</b>                       | <b>33 870 259</b>                                   |           |
| <b>Non-Current Liabilities</b>             |                      |                     |                      |                                          |                                                     |           |
| Finance lease obligation                   | -                    | -                   | -                    | 1 057 797                                | <b>1 057 797</b>                                    |           |
| Employee benefit obligation                | 121 789 000          | -                   | <b>121 789 000</b>   | 108 718 000                              | <b>(13 071 000)</b>                                 |           |
| Rehabilitation provision                   | -                    | -                   | -                    | 40 141 866                               | <b>40 141 866</b>                                   |           |
|                                            | <b>121 789 000</b>   | <b>-</b>            | <b>121 789 000</b>   | <b>149 917 663</b>                       | <b>28 128 663</b>                                   |           |
| <b>Total Liabilities</b>                   | <b>267 729 000</b>   | <b>26 495 000</b>   | <b>294 224 000</b>   | <b>356 222 922</b>                       | <b>61 998 922</b>                                   |           |
| <b>Net Assets</b>                          | <b>2 782 225 000</b> | <b>(31 023 000)</b> | <b>2 751 202 000</b> | <b>1 814 104 438</b>                     | <b>(937 097 562)</b>                                |           |
| <b>Reserves</b>                            |                      |                     |                      |                                          |                                                     |           |
| Accumulated surplus                        | 2 782 225 000        | (31 023 000)        | <b>2 751 202 000</b> | 1 814 104 438                            | <b>(937 097 562)</b>                                |           |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|  | Approved<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--|--------------------|-------------|--------------|------------------------------------------|-----------------------------------------------------|-----------|
|--|--------------------|-------------|--------------|------------------------------------------|-----------------------------------------------------|-----------|

Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

|                  |                      |                   |                      |                      |                    |  |
|------------------|----------------------|-------------------|----------------------|----------------------|--------------------|--|
| Property Rates   | 50 735 000           | 4 573 000         | <b>55 308 000</b>    | 60 490 947           | <b>5 182 947</b>   |  |
| Services Charges | 320 134 000          | 23 724 000        | <b>343 858 000</b>   | 398 602 258          | <b>54 744 258</b>  |  |
| Grants           | 572 384 000          | 9 593 000         | <b>581 977 000</b>   | 575 040 650          | <b>(6 936 350)</b> |  |
| Interest income  | 29 385 000           | (24 982 000)      | <b>4 403 000</b>     | 9 516 129            | <b>5 113 129</b>   |  |
| Other receipts   | 88 122 000           | 4 299 000         | <b>92 421 000</b>    | 89 750 488           | <b>(2 670 512)</b> |  |
|                  | <b>1 060 760 000</b> | <b>17 207 000</b> | <b>1 077 967 000</b> | <b>1 133 400 472</b> | <b>55 433 472</b>  |  |

##### Payments

|                         |                      |                  |                      |                      |                      |  |
|-------------------------|----------------------|------------------|----------------------|----------------------|----------------------|--|
| Suppliers and employees | (747 693 000)        | 9 319 000        | <b>(738 374 000)</b> | (843 947 070)        | <b>(105 573 070)</b> |  |
| Finance costs           | (105 000)            | -                | <b>(105 000)</b>     | (880)                | <b>104 120</b>       |  |
|                         | <b>(747 798 000)</b> | <b>9 319 000</b> | <b>(738 479 000)</b> | <b>(843 947 950)</b> | <b>(105 468 950)</b> |  |

**Net cash flows from operating activities**      **312 962 000**      **26 526 000**      **339 488 000**      **289 452 522**      **(50 035 478)**

#### Cash flows from investing activities

|                |               |            |                      |               |                   |  |
|----------------|---------------|------------|----------------------|---------------|-------------------|--|
| Capital assets | (304 979 000) | 11 308 000 | <b>(293 671 000)</b> | (226 858 879) | <b>66 812 121</b> |  |
|----------------|---------------|------------|----------------------|---------------|-------------------|--|

#### Cash flows from financing activities

|                                                           |                    |                   |                    |                    |                   |  |
|-----------------------------------------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--|
| Finance lease payments                                    | -                  | -                 | -                  | (458 789)          | <b>(458 789)</b>  |  |
| Net increase/(decrease) in cash and cash equivalents      | 7 983 000          | 37 834 000        | <b>45 817 000</b>  | 62 134 854         | <b>16 317 854</b> |  |
| Cash and cash equivalents at the beginning of the year    | 143 652 000        | -                 | <b>143 652 000</b> | 143 651 586        | <b>(414)</b>      |  |
| <b>Cash and cash equivalents at the end of the period</b> | <b>151 635 000</b> | <b>37 834 000</b> | <b>189 469 000</b> | <b>205 786 440</b> | <b>16 317 440</b> |  |

#### Reconciliation

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)  
Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

|                                                                      | Original budget      | Budget adjustments (i.t.o. s28 and budget s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement         | Final budget           | Actual outcome         | Unauthorised expenditure | Variance          | Actual outcome as % of final budget | Actual outcome as % of original budget |
|----------------------------------------------------------------------|----------------------|------------------------------------------------------------|--------------------------|--------------------------------------------|------------------|------------------------|------------------------|--------------------------|-------------------|-------------------------------------|----------------------------------------|
| <b>2021</b>                                                          |                      |                                                            |                          |                                            |                  |                        |                        |                          |                   |                                     |                                        |
| <b>Financial Performance</b>                                         |                      |                                                            |                          |                                            |                  |                        |                        |                          |                   |                                     |                                        |
| Property rates                                                       | 83 070 000           | 4 371 000                                                  | 87 441 000               | -                                          | -                | 87 441 000             | 87 658 434             | -                        | 217 434           | 100 %                               | 106 %                                  |
| Service charges                                                      | 375 820 000          | -                                                          | 375 820 000              | -                                          | -                | 375 820 000            | 448 765 782            | -                        | 72 945 782        | 119 %                               | 119 %                                  |
| Interest from financial institutions                                 | 6 695 000            | (2 242 000)                                                | 4 453 000                | -                                          | -                | 4 453 000              | 5 137 404              | -                        | 684 404           | 115 %                               | 77 %                                   |
| Transfers recognised - operational                                   | 519 370 000          | 9 950 000                                                  | 529 320 000              | -                                          | -                | 529 320 000            | 476 824 650            | -                        | (52 495 350)      | 90 %                                | 92 %                                   |
| Other own revenue                                                    | 70 616 000           | (1 000 000)                                                | 69 616 000               | -                                          | -                | 69 616 000             | 111 744 321            | -                        | 42 128 321        | 161 %                               | 158 %                                  |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>1 055 571 000</b> | <b>11 079 000</b>                                          | <b>1 066 650 000</b>     | <b>-</b>                                   | <b>-</b>         | <b>1 066 650 000</b>   | <b>1 130 130 591</b>   | <b>-</b>                 | <b>63 480 591</b> | <b>106 %</b>                        | <b>107 %</b>                           |
| Employee costs                                                       | (295 607 000)        | 6 000 000                                                  | (289 607 000)            | -                                          | -                | (289 607 000)          | (287 366 574)          | -                        | 2 240 426         | 99 %                                | 97 %                                   |
| Remuneration of councillors                                          | (30 410 000)         | -                                                          | (30 410 000)             | -                                          | -                | (30 410 000)           | (26 157 677)           | -                        | 4 252 323         | 86 %                                | 86 %                                   |
| Debt impairment                                                      | (51 135 000)         | 5 000 000                                                  | (46 135 000)             | -                                          | (17 600 000)     | (63 735 000)           | (54 958 048)           | -                        | 8 776 952         | 86 %                                | 107 %                                  |
| Depreciation and asset impairment                                    | (120 089 000)        | -                                                          | (120 089 000)            | -                                          | (14 911 000)     | (135 000 000)          | (127 663 223)          | -                        | 7 336 777         | 95 %                                | 106 %                                  |
| Finance charges                                                      | (8 170 000)          | (745 000)                                                  | (8 915 000)              | -                                          | (3 500 000)      | (12 415 000)           | (12 225 949)           | -                        | 189 051           | 98 %                                | 150 %                                  |
| Bulk purchases                                                       | (269 822 000)        | (31 000 000)                                               | (300 822 000)            | -                                          | 25 000 000       | (275 822 000)          | (275 609 956)          | -                        | 212 044           | 100 %                               | 102 %                                  |
| Contracted Services                                                  | (129 084 000)        | (25 000 000)                                               | (154 084 000)            | -                                          | (16 500 000)     | (170 584 000)          | (168 029 272)          | -                        | 2 554 728         | 99 %                                | 130 %                                  |
| Other expenditure                                                    | (93 971 000)         | 4 000 000                                                  | (89 971 000)             | -                                          | 27 411 000       | (62 560 000)           | (61 980 400)           | -                        | 579 600           | 99 %                                | 66 %                                   |
| <b>Total expenditure</b>                                             | <b>(998 288 000)</b> | <b>(41 745 000)</b>                                        | <b>(1 040 033 000)</b>   | <b>-</b>                                   | <b>(100 000)</b> | <b>(1 040 133 000)</b> | <b>(1 013 991 099)</b> | <b>-</b>                 | <b>26 141 901</b> | <b>97 %</b>                         | <b>102 %</b>                           |
| <b>Surplus/(Deficit)</b>                                             | <b>57 283 000</b>    | <b>(30 666 000)</b>                                        | <b>26 617 000</b>        | <b>-</b>                                   | <b>-</b>         | <b>26 517 000</b>      | <b>116 139 492</b>     | <b>-</b>                 | <b>89 622 492</b> | <b>438 %</b>                        | <b>203 %</b>                           |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)  
Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

|                                                             | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance    | Actual outcome as % of final budget | Actual outcome as % of original budget |
|-------------------------------------------------------------|-----------------|-----------------------------------------------------|--------------------------|--------------------------------------------|-------------------------------------------|--------------|----------------|--------------------------|-------------|-------------------------------------|----------------------------------------|
| Transfers recognised - capital                              | 53 014 000      | (357 000)                                           | 52 657 000               | -                                          | -                                         | 52 657 000   | 108 703 434    |                          | 56 046 434  | 206 %                               | 205 %                                  |
| Surplus (Deficit) after capital transfers and contributions | 110 297 000     | (31 023 000)                                        | 79 274 000               | -                                          | -                                         | 79 174 000   | 224 842 926    |                          | 145 668 926 | 284 %                               | 204 %                                  |
| Surplus/(Deficit) for the year                              | 110 297 000     | (31 023 000)                                        | 79 274 000               | -                                          | -                                         | 79 174 000   | 224 842 926    |                          | 145 668 926 | 284 %                               | 204 %                                  |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

| Figures in Rand | Note(s) | 2021 | 2020 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African 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.

#### 1.3 New standards and interpretations

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

In the current year, the municipality has not adopted any standards and interpretations relevant to its operations:

##### Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations.

##### 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 July 1, 2021 or later periods:

##### GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

These revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect the following:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### **Guideline: Guideline on Accounting for Landfill Sites**

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### **Guideline: Accounting for Arrangements Undertaken in terms of the National Housing Programme**

It covers the following: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Considering whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after April 1, 2021.

The municipality expects to adopt the guideline for the first time in the 2021/2022 annual financial statements.

It is unlikely that the guideline will have a material impact on the economic entity's annual financial statements.

### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality expects to adopt the standard for the first time in the 2021/2022 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality expects to adopt the standard for the first time in the 2021/2022 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effective date of the standard is for years beginning on or after April 1, 2021.

The municipality expects to adopt the standard for the first time in the 2021/2022 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The effective date of the standard is for years beginning on or after April 1, 2021.

The municipality expects to adopt the standard for the first time in the 2021/2022 annual financial statements.

The impact of this standard on the results of the municipality is not yet known at year end, an assessment is currently at hand on the impact of this new standard.

### Directive 7 (revised): The Application of Deemed Cost

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by the following:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 Living and Non-living Resources issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 Separate Financial Statements
  - GRAP 35 Consolidated Financial Statements
  - GRAP 36 Investments in Associates and Joint Ventures
  - GRAP 37 Joint Arrangements
  - GRAP 38 Disclosure of Interests in Other Entities

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after April 1, 2021.

The municipality expects to adopt the directive for the first time in the 2021/2022 annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

### 1.4 Materiality

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Materiality (continued)

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

### 1.5 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

#### Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

#### Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively. In the process of applying the municipality's accounting policies the following estimates, were made:

#### Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

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

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### Fair value estimation

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

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

#### Impairment testing

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

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 15 - 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.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### Effective interest rate

The municipality used the prime 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 discounted at the effective interest rate, computed at initial recognition.

#### Impairment of statutory receivables

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

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

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.6 Investment property

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

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

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

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

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

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

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

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

| Item                 | Useful life |
|----------------------|-------------|
| Property - land      | indefinite  |
| Property - buildings | 30 years    |

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

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

### 1.7 Property, plant and equipment

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

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

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

#### Initial measurement.

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.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

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

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

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

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

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

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

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

#### Subsequent measurement

The municipality will, after initial recognition, treat items of PPE in terms of the cost model, thus carried at cost less any accumulated depreciation and accumulated impairment losses.

#### Depreciation

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.

#### Useful lives

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

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| Item                             | Depreciation method | Average useful life |
|----------------------------------|---------------------|---------------------|
| Land and Buildings               |                     |                     |
| • Land                           | Straight-line       | Indefinite          |
| • Buildings                      | Straight-line       | 30 Years            |
| Other assets                     |                     |                     |
| • Furniture and fittings         | Straight-line       | 5 - 19 Years        |
| • Air conditioners               | Straight-line       | 5 - 9 Years         |
| • Office machines                | Straight-line       | 5 - 19 Years        |
| • Computer hardware              | Straight-line       | 5 - 19 Years        |
| • Transport assets               | Straight-line       | 7 - 30 Years        |
| Infrastructure                   |                     |                     |
| • Roads ,Bridges and Storm water | Straight-line       | 10 - 100 Years      |
| • Pedestrian malls               | Straight-line       | 20 Years            |
| • Electricity                    | Straight-line       | 10 - 70 Years       |
| • Security measures              | Straight-line       | 3 - 7 Years         |
| Community Assets                 |                     |                     |
| • Buildings and other assets     | Straight-line       | 05 - 50 Years       |
| • Recreational facilities        | Straight-line       | 15 - 30 Years       |

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# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

|                       |               |               |
|-----------------------|---------------|---------------|
| • Watercraft          | Straight-line | 15 Years      |
| • Emergency equipment | Straight-line | 05 - 15 Years |
| • Plant and equipment | Straight-line | 05 - 40 Years |
| • Landfill sites      | Straight-line | 05 - 10 Years |
| • Bins and containers | Straight-line | 05 - 10 Years |

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

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

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

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

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

### Assets under construction.

Assets under construction are stated at cost and not depreciated until the respective assets are completed and ready for use. Assets under construction are also assessed for impairment.

### Derecognition

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.

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

### 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).

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets 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. 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.

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.

### 1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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| Item                     | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight-line       | 2 - 10 Years        |

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

Intangible assets are derecognised:

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

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

### 1.10 Heritage assets

Assets are resources controlled by a 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.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Heritage assets (continued)

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.

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

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

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

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

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

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

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

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

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

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

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

### Impairment

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

### Transfers

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Heritage assets (continued)

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

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

### 1.11 Financial instruments

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.11 Financial instruments (continued)

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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.

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.11 Financial instruments (continued)

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

#### Classification

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

| Class                                          | Category                                   |
|------------------------------------------------|--------------------------------------------|
| Receivables from exchange transactions         | Financial asset measured at amortised cost |
| Receivables from Non - exchange transactions   | Financial asset measured at amortised cost |
| Consumer Debtors - Exchange transactions       | Financial asset measured at amortised cost |
| Consumer Debtors - Non - Exchange transactions | Financial asset measured at amortised cost |

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

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

#### Initial recognition

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

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

The municipality measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

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

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

#### Fair value measurement considerations

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.11 Financial instruments (continued)

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

#### Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

#### Gains and losses

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

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

#### Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost:

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

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

The municipality assesses the financial assets for impairment individually, when assets are individually significant, or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.11 Financial instruments (continued)

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment.

For collective assessments of impairment, assets with similar characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to contractual terms.

In making this assessment, management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.
- Additional text

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

### Derecognition

#### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.11 Financial instruments (continued)

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

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

#### Financial liabilities

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

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

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

#### Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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 municipality does not offset the transferred asset and the associated liability.

### 1.12 Leases

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

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.12 Leases (continued)

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.13 Inventories

The municipality recognises inventories as an asset when:

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

#### Initial recognition and measurement

Inventories, consisting of consumable stores, land inventories and raw materials are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date of acquisition.

#### Subsequent measurement

Consumable stores and raw materials are valued at the lower of cost and net realisable value unless they are distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the weighted average cost method.

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

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.13 Inventories (continued)

Differences arising on the valuation of inventory are recognised in surplus or deficit 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 of inventories. Such reversal is recognised in surplus or deficit in the period in which the reversal occurs.

Land inventory held by the municipality for the purpose of resale is carried at cost and accounted for as inventory.

### Derecognition

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

### 1.14 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions and are subject to an insignificant risk of change in value.

The municipality does not have bank overdraft facilities.

### 1.15 Consumer deposits

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

Consumers are also allowed to provide guarantees on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the Municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

### 1.16 Value added tax

The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 89 of 1991. The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

### 1.17 Employee benefits

Employee benefits are all forms of consideration given by a municipality 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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 municipality to reimburse it for employee benefits already paid.

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

- an municipality'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.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### 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 a municipality 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.

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

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

Defined contribution plans are post-employment benefit plans under which a municipality 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 municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

#### 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 municipality recognises 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 municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 recognises past service cost as an expense in the reporting period in which the plan is amended.

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality measures 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 municipality determines 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.

The municipality 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 municipality 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, the municipality 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, the municipality 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.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Employee benefits (continued)

The municipality 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 municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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 municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

### 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, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. 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 municipality 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;

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.17 Employee benefits (continued)

- 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.

### 1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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.

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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### Decommissioning, restoration and similar liability

The municipality has an obligation to dismantle, remove and restore items of property plant and equipment. The estimated cost to rehabilitate the landfill sites is performed by qualified engineers, using various assumptions. A provision is then made using those costs. The related cost is measured at cost:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets.

### 1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.19 Commitments (continued)

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.

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

- approved and contracted commitments,
- where the expenditure has been approved and the contract has been awarded at the reporting date, and
- where disclosure is required by a specific standard of GRAP.

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the municipality will discharge its responsibilities thereby incurring future expenditure that will result in an outflow of cash.

### 1.20 Revenue from exchange transactions

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

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

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Rendering of services

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

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

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

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

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.20 Revenue from exchange transactions (continued)

#### Interest earned

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### Prepaid Electricity

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date. Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2021 and 30 June 2022 based on the Contour Prepaid Electricity vending system.

#### Service charges relating to electricity

Service charges relating to electricity are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Provisional estimates of consumption are made in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

#### Refuse removal

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

#### Service charges

Service charges are recognised on a monthly basis in arrears by applying the approved tariff and/or contract conditions. Tariffs are determined per category of property usage and are levied on a monthly basis.

#### Rental income

Rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds, lease of tents etc. and is charged using the relevant approved tariffs.

#### Licenses and permits

Revenue of specific licenses and permits is recognised on an ad hoc basis by applying tariffs determined and approved by the Department of Transport and adopted by the municipal council on a yearly basis.

#### Other Income

Other income included amongst others the following:

- Sale of bid documents;
- Advertising; and
- Sale of municipal land

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.21 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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

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

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

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

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

### Recognition

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

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

### Measurement

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

#### Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Government grants

##### Equitable Share:

Equitable share allocations are recognised in revenue at the start of the financial year.

##### Conditional Grants:

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### Property rates

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a differential rating system i.e business, farming and residential properties. In terms of this system, assessment rates are levied on the market value in respect of properties. Rebates are granted according to the use of the property concerned.

### 1.22 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.23 Investment income

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

### 1.24 Accounting by principals and agents

#### Identification

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

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

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

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

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

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

#### Binding arrangement

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

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

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

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

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.

### 1.25 Comparative figures

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

#### Current year comparatives (Budget):

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

#### Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Certain comparative figures have been reclassified. The nature and reasons for the reclassification and restatement are disclosed in note 36 "Prior year adjustments" to the financial statements.

### 1.26 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.27 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 in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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.

### 1.28 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality that is not in accordance with or in contravention of:

- the MFMA, and which has not been condoned in terms of Section 70;
- the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that Act;
- the Public Office-Bearers Act, (Act No.20 of 1998);
- the requirements of a supply chain management policy of the municipality or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

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.

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

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

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

### 1.29 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.30 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 those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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

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.

### 1.31 Events after reporting date

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

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

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

The municipality 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.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)  
Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 2. Investment property

|  | 2021                |                                                                 | 2020           |                     |                                                                 |                |
|--|---------------------|-----------------------------------------------------------------|----------------|---------------------|-----------------------------------------------------------------|----------------|
|  | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value |
|  | 18 777 018          | (3 193 445)                                                     | 15 583 573     | 18 777 018          | (2 811 734)                                                     | 15 965 284     |

### Reconciliation of investment property - 2021

|                     |                    |              |            |
|---------------------|--------------------|--------------|------------|
| Investment property | Opening<br>balance | Depreciation | Total      |
|                     | 15 965 284         | (381 711)    | 15 583 573 |

### Reconciliation of investment property - 2020

|                     |                    |              |            |
|---------------------|--------------------|--------------|------------|
| Investment property | Opening<br>balance | Depreciation | Total      |
|                     | 16 347 062         | (381 778)    | 15 965 284 |

### Pledged as security

No investment property of the municipality was pledged as security.

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

### Details of valuation

The Makhado Municipal valuations are based on the valuation roll which is reviewed every 5 years. The last valuation roll came into effect on 1 July 2018. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)  
Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

|                                | 2021                 |                                                                 | 2020                                                            |                      |
|--------------------------------|----------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|----------------------|
|                                | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value                                                  | Cost /<br>Valuation  |
|                                |                      |                                                                 | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| Land                           | 233 839 633          | -                                                               | 233 839 633                                                     | 233 839 633          |
| Buildings                      | 45 169 880           | (18 406 889)                                                    | 26 762 991                                                      | 41 026 230           |
| Machinery and equipment        | 48 382 343           | (25 060 091)                                                    | 23 322 252                                                      | 46 157 173           |
| Furniture and office equipment | 15 154 754           | (10 773 868)                                                    | 4 380 886                                                       | 13 001 340           |
| Transport assets               | 76 689 551           | (25 224 229)                                                    | 51 465 322                                                      | 49 915 369           |
| Computer equipment             | 11 560 863           | (5 588 239)                                                     | 5 972 624                                                       | 8 034 724            |
| Infrastructure assets          | 2 310 598 944        | (1 238 016 144)                                                 | 1 072 582 800                                                   | 2 241 641 160        |
| Community assets               | 89 384 651           | (28 129 383)                                                    | 61 255 268                                                      | 76 964 484           |
| Library Books                  | 2 470 476            | (2 248 064)                                                     | 222 412                                                         | 2 470 476            |
| Work In Progress               | 122 034 874          | -                                                               | 122 034 874                                                     | 92 437 494           |
| <b>Total</b>                   | <b>2 955 285 969</b> | <b>(1 353 446 907)</b>                                          | <b>1 601 839 062</b>                                            | <b>2 805 488 083</b> |
|                                |                      |                                                                 | <b>(1 227 037 463)</b>                                          | <b>1 578 450 620</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)  
Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

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

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

|                                | Opening<br>balance   | Additions          | Transfers to<br>expenditure | Transfers to<br>completed<br>projects | Depreciation         | Impairment<br>loss | Total                |
|--------------------------------|----------------------|--------------------|-----------------------------|---------------------------------------|----------------------|--------------------|----------------------|
| Land                           | 233 839 633          | -                  | -                           | -                                     | -                    | -                  | 233 839 633          |
| Buildings                      | 24 215 971           | 4 143 650          | -                           | -                                     | (1 543 608)          | (53 022)           | 26 762 991           |
| Machinery and equipment        | 25 986 760           | 2 225 170          | -                           | -                                     | (4 866 578)          | (23 100)           | 23 322 252           |
| Furniture and office equipment | 3 772 557            | 2 153 414          | -                           | -                                     | (1 519 464)          | (25 621)           | 4 380 886            |
| Transport assets               | 30 724 261           | 26 774 182         | -                           | -                                     | (6 032 921)          | (200)              | 51 465 322           |
| Library Books                  | 395 909              | -                  | -                           | -                                     | (173 429)            | (68)               | 222 412              |
| Computer equipment             | 3 695 904            | 3 526 139          | -                           | -                                     | (1 246 383)          | (3 036)            | 5 972 624            |
| Infrastructure assets          | 1 111 691 138        | 68 957 784         | -                           | -                                     | (106 669 955)        | (1 396 167)        | 1 072 582 800        |
| Community assets               | 51 690 993           | 12 420 167         | -                           | -                                     | (2 853 644)          | (2 248)            | 61 255 268           |
| Work In Progress               | 92 437 494           | 120 527 562        | (5 408 581)                 | (85 521 601)                          | -                    | -                  | 122 034 874          |
|                                | <b>1 578 450 620</b> | <b>240 728 068</b> | <b>(5 408 581)</b>          | <b>(85 521 601)</b>                   | <b>(124 905 982)</b> | <b>(1 503 462)</b> | <b>1 601 839 062</b> |

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

|                                | Opening<br>balance   | Additions          | Disposals          | Transfers to<br>expenditure | Transfers to<br>completed<br>projects | Depreciation         | Impairment<br>loss | Total                |
|--------------------------------|----------------------|--------------------|--------------------|-----------------------------|---------------------------------------|----------------------|--------------------|----------------------|
| Land                           | 236 863 633          | -                  | (3 024 000)        | -                           | -                                     | -                    | -                  | 233 839 633          |
| Buildings                      | 21 475 512           | 4 123 499          | -                  | -                           | -                                     | (1 383 040)          | -                  | 24 215 971           |
| Machinery and equipment        | 13 178 297           | 17 597 135         | (468 996)          | -                           | -                                     | (4 264 121)          | (55 555)           | 25 986 760           |
| Furniture and office equipment | 4 545 218            | 1 128 398          | (120 495)          | -                           | -                                     | (1 717 503)          | (63 061)           | 3 772 557            |
| Transport assets               | 17 666 031           | 17 158 625         | (672 354)          | -                           | -                                     | (3 389 621)          | (38 420)           | 30 724 261           |
| Library Books                  | 543 148              | 48 146             | -                  | -                           | -                                     | (195 385)            | -                  | 395 909              |
| Computer equipment             | 2 315 486            | 2 529 364          | (174 199)          | -                           | -                                     | (953 281)            | (21 466)           | 3 695 904            |
| Infrastructure assets          | 1 187 451 254        | 31 299 188         | -                  | -                           | -                                     | (105 154 660)        | (1 904 644)        | 1 111 691 138        |
| Community assets               | 54 339 098           | 120 000            | -                  | -                           | -                                     | (2 768 105)          | -                  | 51 690 993           |
| Work In Progress               | 41 558 674           | 95 170 865         | (966 525)          | (7 678 991)                 | (35 646 529)                          | -                    | -                  | 92 437 494           |
|                                | <b>1 579 936 351</b> | <b>169 175 220</b> | <b>(5 426 569)</b> | <b>(7 678 991)</b>          | <b>(35 646 529)</b>                   | <b>(119 825 716)</b> | <b>(2 083 146)</b> | <b>1 578 450 620</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

#### Reconciliation of Work-in-Progress 2021

|                                | Included within<br>Infrastructure | Included within<br>Community | Included within<br>Other PPE | Total              |
|--------------------------------|-----------------------------------|------------------------------|------------------------------|--------------------|
| Opening balance                | 66 332 824                        | 24 046 491                   | 2 058 179                    | 92 437 494         |
| Additions/capital expenditure  | 70 866 019                        | 34 848 239                   | 14 813 304                   | 120 527 562        |
| Transferred to completed items | (68 957 784)                      | (12 420 167)                 | (4 143 650)                  | (85 521 601)       |
| Transferred to expenditure     | (3 283 572)                       | (1 346 009)                  | (779 000)                    | (5 408 581)        |
|                                | <b>64 957 487</b>                 | <b>45 128 554</b>            | <b>11 948 833</b>            | <b>122 034 874</b> |

#### Reconciliation of Work-in-Progress 2020

|                                | Included within<br>Infrastructure | Included within<br>Community | Included within<br>Other PPE | Total             |
|--------------------------------|-----------------------------------|------------------------------|------------------------------|-------------------|
| Opening balance                | 28 233 072                        | 10 527 602                   | 2 798 000                    | 41 558 674        |
| Additions/capital expenditure  | 76 018 355                        | 13 638 889                   | 5 513 620                    | 95 170 864        |
| Transferred to completed items | (31 311 244)                      | (120 000)                    | (4 215 284)                  | (35 646 528)      |
| Transferred to expenditure     | (6 607 359)                       | -                            | (1 071 632)                  | (7 678 991)       |
| Disposal                       | -                                 | -                            | (966 525)                    | (966 525)         |
|                                | <b>66 332 824</b>                 | <b>24 046 491</b>            | <b>2 058 179</b>             | <b>92 437 494</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

#### Projects which are taking significantly longer periods to complete

Included in Work In Progress (WIP) total carrying value are projects which are taking longer to complete. The expenditure incurred to date for these projects are as follows:

| Project Name                                                          |                   |
|-----------------------------------------------------------------------|-------------------|
| Waterval Sports Facility Phase 3                                      | 21 089 448        |
| Tshakhuma fruit market                                                | 4 667 179         |
| Dzanani streets                                                       | 4 241 051         |
| Valdezia Xitacini To Jiweni Access Road - Phase 3                     | 9 488 026         |
| New Council Chamber and Offices (Design and construction)             | 2 309 597         |
| Stormwater Infrastructure and resurfacing of roads                    | 4 724 443         |
| Incomer intake point Eskom Substation                                 | 3 652 036         |
| Led street lights system design                                       | 160 577           |
| Development of Dzanani Park                                           | 1 214 507         |
| Upgrade Industrial Line                                               | 725 121           |
| Electrification of 170 Residential sites at Tshikota Townshi (Design) | 428 806           |
| Standby quarters additional rooms                                     | 60 631            |
| CT VT Units 11kv & 22kV various sub stations                          | 368 425           |
| Upgrade Levubu 2 line                                                 | 13 769            |
| Waterval Sports Facility Phase 2                                      | 12 542 060        |
| Rehabilitation of Streets in Waterval                                 | 598 273           |
| Waterval Stormwater 2019                                              | 1 093 906         |
| Dzanani Traders Market 2019                                           | 413 207           |
| Erf 210 Burger Street Market Revitalization Project                   | 606 816           |
| Luvhalani to Dzananwa Access Road                                     | 454 731           |
| Mingard Bridge to Mhokota Entrance                                    | 604 636           |
| Tsianda ( Marundu to Military Base) Access Road 2020                  | 605 621           |
| Arts and Craft centre Designs 2020                                    | 366 454           |
| Incubation Centre 2019                                                | 264 230           |
| Designs of Municipality Civic Centre                                  | 608 510           |
| Makatu to Tshikota Access Road                                        | 607 469           |
|                                                                       | <b>71 909 529</b> |

#### Reasons for project delays:

**Waterval Sports Facility Phase 3:** Supplier could not source materials due to Covid-19.

**Tshakhuma fruit market:** Delay on procurement of contractor due to Covid-19 Regulations

**Dzanani streets:** Delay due to community dispute on the concrete kerb, requesting that the designs be changed in order to create space for the parking areas

**Valdezia Xitacini To Jiweni Access Road - Phase 3:** Borrow-pit ran out of material and delay due to floods

**New Council Chamber and Offices (Design and construction) :** Delay due to additional input into the initial designs

**Stormwater Infrastructure and resurfacing of roads:** Delay in finalising the designs due to Covid-19

**Incomer intake point Eskom Substation:** Delays due to lead time for manufacturing of equipments due to Covid-19

**Led street lights system design :** Delay in the appointment of service due to COVID-19 regulations.

**Development of Dzanani Park:** Delays in completing detailed designs.

**Upgrade Industrial Line:** Supplier could not source materials due to Covid-19.

**Electrification of 170 Residential sites at Tshikota Townshi:** Supplier could not source materials due to Covid-19.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

**Standby quarters additional rooms:** Supplier could not source materials due to Covid-19.

**CT VT Units 11kv & 22kV various sub stations:** Supplier could not source materials due to Covid-19.

**Upgrade Levubu 2 line:** Supplier could not source materials due to Covid-19.

**Waterval Sports Facility Phase 2:** The project was waiting for construction of the pavilion on Phase3 to be completed so that contractor will resume work and finalise the remaining scope. The major challenge was that, there is no space for a Crane truck that was supposed to carry the precast concrete panels for the grand stand ( pavilion), there was arisk that the crane truck will damage the running track.

**Rehabilitation of Streets in Waterval:** The project needs an estimated amount of R 45 million for construction & designs and municipality doesn't have that amount of money now. However, we are on the process of advertising one street and this will be our Phase 1.

**Waterval Stormwater 2019:** The project needs an estimated amount of R 45 million for construction & designs. Due to insufficient funding the project will be implemented in phases starting from next financial year.

**Dzanani Traders Market 2019:** Lack of sufficient funding is a major challenge hence the project couldn't go on tender for construction.

**Erf 210 Burger Street Market Revitalization Project:** Contractor was appointed in the current financial due to lack of sufficient budget in the previous financial year

**Luvhalani to Dzananwa Access Road:** Lack of sufficient funding is a major challenge hence the project couldn't go on tender for construction in the previous financial year.

**Tsianda ( Marundu to Military Base) Access Road 2020:** Lack of sufficient funding is a major challenge hence the project couldn't go on tender for construction in the previous financial year. This project is being prioritised for MIG registration process, once is approved by MIG, we will then go on tender for construction in the next financial years.

**Arts and Craft centre Designs 2020:** Lack of sufficient funding is a major challenge hence the project couldn't go on tender for construction in the previous financial year.

**Incubation Centre 2019:** The project will be completed in the current financial year. Construction is on progress.

**Designs of Municipality Civic Centre:** The challenge is the budget, this project needs an estimated amount is R 169 million.

**Makatu to Tshikota Access Road:** Lack of sufficient funding is a major challenge hence the project couldn't go on tender for construction in the previous financial year. This project is being prioritised for MIG registration process, once is approved by MIG, we will then go on tender for construction in the next financial years.

**Mingard Bridge to Mhokota Entrance:** Lack of sufficient funding is a major challenge hence the project couldn't go on tender for construction in the previous financial year

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

#### Impairment of non cash generating assets

At the reporting date all asset classes were assessed for impairment and the following classes of assets were impaired at reporting date and below are the asset categories that have been impaired by the following amounts:

#### Asset Class

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Buildings               | 53 022           | -                |
| Infrastructure assets   | 1 396 167        | 1 904 644        |
| Machinery and equipment | 23 100           | 55 555           |
| Community Assets        | 2 248            | -                |
| Furniture and fittings  | 25 621           | 63 061           |
| Computer assets         | 3 036            | 21 466           |
| Transport assets        | 200              | 38 420           |
| Library Books           | 68               | -                |
|                         | <b>1 503 462</b> | <b>2 083 146</b> |

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

#### Pledged as security

No items of property, plant & equipment of the municipality was pledged as security.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)  
Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Intangible assets

|                            | 2021                |                                                                 |                | 2020                |                                                                 |                |
|----------------------------|---------------------|-----------------------------------------------------------------|----------------|---------------------|-----------------------------------------------------------------|----------------|
|                            | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Intangible assets (finite) | 7 544 139           | (5 677 751)                                                     | 1 866 388      | 6 923 343           | (4 805 684)                                                     | 2 117 659      |

### Reconciliation of intangible assets - 2021

|                            | Opening<br>balance | Additions | Amortisation | Total     |
|----------------------------|--------------------|-----------|--------------|-----------|
| Intangible assets (finite) | 2 117 659          | 620 796   | (872 067)    | 1 866 388 |

### Reconciliation of intangible assets - 2020

|                            | Opening<br>balance | Additions | Amortisation | Total     |
|----------------------------|--------------------|-----------|--------------|-----------|
| Intangible assets (finite) | 1 776 588          | 1 086 000 | (744 929)    | 2 117 659 |

### Pledged as security

No intangible assets of the municipality were pledged as security.

### Restricted title

There is no restriction on the title of Intangible assets. Intangible assets have finite useful lives and are amortized over the useful lives.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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Figures in Rand

## 5. Heritage assets

|                 | 2021                |                                     | 2020           |                                     |
|-----------------|---------------------|-------------------------------------|----------------|-------------------------------------|
|                 | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value | Cost /<br>Valuation                 |
|                 |                     |                                     |                | Accumulated<br>impairment<br>losses |
| Heritage assets | 2 160 329           | -                                   | 2 160 329      | 2 160 329                           |
|                 |                     |                                     |                | -                                   |
|                 |                     |                                     |                | 2 160 329                           |

## Reconciliation of heritage assets 2021

|                 |                 |           |
|-----------------|-----------------|-----------|
| Heritage assets |                 |           |
|                 | Opening balance | Total     |
|                 | 2 160 329       | 2 160 329 |

## Reconciliation of heritage assets 2020

|                 |                 |           |
|-----------------|-----------------|-----------|
| Heritage assets | Opening balance | Total     |
|                 | 2 160 329       | 2 160 329 |

## Restrictions on heritage assets

There is no restriction on the title of heritage assets.

## Pledged as security

No heritage assets of the municipality were pledged as security.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 6. Change in accounting estimate

#### Property, plant & equipment

The municipality has reassessed the useful lives of property, plant and equipment which resulted in certain assets remaining useful lives to change. Electricity infrastructure assets useful life changed from 15 years to 20 years on average, Community assets from an average of 15 years to 20 years and movable assets changed from average 5 years to 9 years. The effect of the change in accounting estimates has resulted in an decrease in depreciation amounting to R 507,374.23 for Immovable assets and R 397,610.76 for movable assets for the current period.

### 7. Employee benefit obligations

#### Long Service Awards Obligation

The actuarial valuation of the long service award was performed by Chanan Weiss (Fellow of the Actuarial Society of South Africa), on behalf of ARCH Actuarial Consulting.

The long service bonus award provision consists of an obligation to pay out a bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Makhado Local Municipality and the value is represented by the present value of the long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed from 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.

Valuation assumptions made include Discount Rate of 8.70% (2020: 6.92%), Consumer Price Inflation of 5.64% (2020: 3.71%), Normal Salary Increase of 7.50% (2020: 6.25%) and Net Effective Discount Rate of 2.90% (2020: 3.10%), Mortality SA 85-90 (2020: SA 85-90)

#### Total long service awards liability

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Opening balance                   | 15 245 000        | 14 489 678        |
| Current service cost              | 1 201 000         | 1 237 485         |
| Interest cost                     | 983 000           | 1 088 926         |
| Actuarial (gains)/loss            | 1 065 231         | (179 299)         |
| Expected employer benefit vesting | (2 768 231)       | (1 391 790)       |
|                                   | <b>15 726 000</b> | <b>15 245 000</b> |

#### Post retirement medical aid plan

The municipality operates an unfunded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Hosmed, LA Health and SAMWUMED medical aid schemes. The municipality is committed to pay 70% of the members' post employment medical aid contributions up to an amount that is currently capped at R5,949 per month. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 359 in service members, 169 in service non- members and 43 continuation(retiree and widow) members.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2021 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

#### Total post-retirement health care benefits liability

|                                        |                   |                   |
|----------------------------------------|-------------------|-------------------|
| Opening balance                        | 84 271 000        | 92 273 314        |
| Current service cost                   | 3 344 000         | 4 117 722         |
| Interest cost                          | 8 763 000         | 8 661 448         |
| Actuarial (gains)/loss                 | 5 699 475         | (18 342 100)      |
| Expected contributions (benefits paid) | (2 699 475)       | (2 439 384)       |
|                                        | <b>99 378 000</b> | <b>84 271 000</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                     | 2021                 | 2020                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| <b>7. Employee benefit obligations (continued)</b>                                                                                                                                                  |                      |                     |
| <b>Reconciliation and projection of the unfunded accrued liability</b>                                                                                                                              |                      |                     |
| <b>Carrying value</b>                                                                                                                                                                               |                      |                     |
| Opening Balance                                                                                                                                                                                     | (99 516 000)         | (106 762 992)       |
| Current Service Costs                                                                                                                                                                               | (4 545 000)          | (5 355 207)         |
| Interest Costs                                                                                                                                                                                      | (9 746 000)          | (9 750 374)         |
| Expected employee benefit vesting                                                                                                                                                                   | 5 467 706            | 3 831 174           |
| Actuarial gain/(loss)                                                                                                                                                                               | (6 764 706)          | 18 521 399          |
|                                                                                                                                                                                                     | <b>(115 104 000)</b> | <b>(99 516 000)</b> |
| <br>Non-current liabilities                                                                                                                                                                         | <br>(108 718 000)    | <br>(94 594 000)    |
| Current liabilities                                                                                                                                                                                 | (6 386 000)          | (4 922 000)         |
|                                                                                                                                                                                                     | <b>(115 104 000)</b> | <b>(99 516 000)</b> |
| <br><b>Key assumptions used</b>                                                                                                                                                                     |                      |                     |
| Assumptions used at the reporting date:                                                                                                                                                             |                      |                     |
| Discount rates used                                                                                                                                                                                 | 10,19 %              | 10,57 %             |
| Expected rate of return on reimbursement rights                                                                                                                                                     | 3,10 %               | 3,72 %              |
| Expected increase in salaries                                                                                                                                                                       | 7,50 %               | 6,25 %              |
| Health care cost inflation rate                                                                                                                                                                     | 6,88 %               | 6,60 %              |
| The salaries used in the valuation include an assumed increase on 01 July 2021 of 7.50% as per the SALGBC Circular No: 02/2021. The next salary increase was assumed to take place on 01 July 2022. |                      |                     |
| <b>8. Inventories</b>                                                                                                                                                                               |                      |                     |
| Consumable stores                                                                                                                                                                                   | 26 284 173           | 24 087 523          |
| Land inventory                                                                                                                                                                                      | 101 244 400          | 101 244 400         |
|                                                                                                                                                                                                     | <b>127 528 573</b>   | <b>125 331 923</b>  |
| <br><b>Land inventory</b>                                                                                                                                                                           |                      |                     |
| Opening balance                                                                                                                                                                                     | 101 244 400          | 102 814 200         |
| Less: Sales                                                                                                                                                                                         | -                    | (1 500 000)         |
| Adjustments:                                                                                                                                                                                        | -                    | -                   |
| -PPE Land                                                                                                                                                                                           | -                    | (69 800)            |
|                                                                                                                                                                                                     | <b>101 244 400</b>   | <b>101 244 400</b>  |
| <br><b>Inventory consumables</b>                                                                                                                                                                    |                      |                     |
| Opening balance                                                                                                                                                                                     | 24 087 523           | 17 218 291          |
| Add: Purchases                                                                                                                                                                                      | 19 374 648           | 20 134 458          |
| Less: Issues                                                                                                                                                                                        | (17 600 631)         | (15 420 119)        |
| Inventory adjustment for the year                                                                                                                                                                   | 422 633              | 2 154 893           |
| <b>Closing balance</b>                                                                                                                                                                              | <b>26 284 173</b>    | <b>24 087 523</b>   |
| <br><b>Inventory pledged as security:</b>                                                                                                                                                           |                      |                     |
| No inventory was pledged as security for the current and previous year.                                                                                                                             |                      |                     |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                     | 2021              | 2020                |
|---------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| <b>9. Sundry Debtors</b>                                                                                            |                   |                     |
| Other receivables                                                                                                   | 3 179 748         | 833 914             |
| Vhembe District Municipality                                                                                        | 45 881 800        | 21 091 632          |
|                                                                                                                     | <b>49 061 548</b> | <b>21 925 546</b>   |
| <b>Trade and other receivables</b>                                                                                  |                   |                     |
| The reconciliation of the gross balance for VDM debt is as follows:                                                 |                   |                     |
| <b>Vhembe District Municipality</b>                                                                                 |                   |                     |
| Opening Balance                                                                                                     | 87 881 800        | 96 881 800          |
| Settlements                                                                                                         | (42 000 000)      | (9 000 000)         |
| Total                                                                                                               | 45 881 800        | 87 881 800          |
| Less: Allowance for impairment                                                                                      | -                 | (66 790 168)        |
|                                                                                                                     | <b>45 881 800</b> | <b>21 091 632</b>   |
| <b>Reconciliation of provision for impairment</b>                                                                   |                   |                     |
| Opening balance                                                                                                     | (66 790 168)      | (96 881 800)        |
| Reversal of impairment                                                                                              | 66 790 168        | 30 091 632          |
|                                                                                                                     | <b>-</b>          | <b>(66 790 168)</b> |
| <b>10. Receivables from non-exchange transactions</b>                                                               |                   |                     |
| Traffic fines                                                                                                       | 759 650           | 301 300             |
| <b>Receivables from non-exchange transactions pledged as security</b>                                               |                   |                     |
| No receivables from non-exchange transactions were pledged as security.                                             |                   |                     |
| <b>Receivables from non-exchange transactions impaired</b>                                                          |                   |                     |
| As of 30 June 2021, receivables from traffic fines of 27 369 380 (2020: 23 873 230) were impaired and provided for. |                   |                     |
| The amount of the provision was (26 609 730) as of 30 June 2021 (2020: (23 571 930)).                               |                   |                     |
| <b>Gross Balances</b>                                                                                               |                   |                     |
| Opening balance                                                                                                     | 23 873 230        | 23 290 260          |
| Tickets issued                                                                                                      | 5 174 068         | 1 432 850           |
| Withdrawals                                                                                                         | (25 900)          | (263 850)           |
| Reductions                                                                                                          | (25 600)          | (70 030)            |
| Unequal payments                                                                                                    | (23 600)          | (149 500)           |
| Payments                                                                                                            | (1 602 818)       | (366 500)           |
| Closing Balance                                                                                                     | 27 369 380        | 23 873 230          |
| Less: Provision for impairment                                                                                      | (26 609 730)      | (23 571 930)        |
|                                                                                                                     | <b>759 650</b>    | <b>301 300</b>      |

Receivables from traffic fines were impaired during the year as follows:

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                   | 2021                | 2020                |
|-------------------------------------------------------------------|---------------------|---------------------|
| <b>10. Receivables from non-exchange transactions (continued)</b> |                     |                     |
| <b>Reconciliation of provision for impairment</b>                 |                     |                     |
| Opening balance                                                   | (23 571 930)        | (5 845 227)         |
| Debt impairment                                                   | (3 037 800)         | (17 726 703)        |
|                                                                   | <b>(26 609 730)</b> | <b>(23 571 930)</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                                              | 2021                 | 2020                 |
|----------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>11. Consumer debtors</b>                                                                  |                      |                      |
| <b>Gross balances</b>                                                                        |                      |                      |
| Rates                                                                                        | 127 580 189          | 103 806 045          |
| Electricity                                                                                  | 176 138 082          | 73 329 915           |
| Interest                                                                                     | 89 098 965           | 66 468 440           |
| Refuse                                                                                       | 23 169 949           | 19 605 916           |
| Sundries                                                                                     | 14 723 752           | 22 518 160           |
| Vat                                                                                          | 16 698 832           | 13 061 613           |
| Other                                                                                        | 4 390 009            | 2 698 242            |
|                                                                                              | <b>451 799 778</b>   | <b>301 488 331</b>   |
| <b>Less: Allowance for impairment</b>                                                        |                      |                      |
| Rates                                                                                        | (80 777 666)         | (78 191 026)         |
| Electricity                                                                                  | (111 522 198)        | (54 959 212)         |
| Interest                                                                                     | (56 413 197)         | (49 816 682)         |
| Refuse                                                                                       | (14 670 102)         | (14 694 217)         |
| Sundries                                                                                     | (9 322 375)          | (16 876 882)         |
| VAT                                                                                          | (10 572 900)         | (9 789 401)          |
| Other                                                                                        | (2 779 543)          | (2 022 275)          |
|                                                                                              | <b>(286 057 981)</b> | <b>(226 349 695)</b> |
| <b>Net balance</b>                                                                           |                      |                      |
| Rates                                                                                        | 46 802 524           | 25 615 019           |
| Electricity                                                                                  | 64 615 885           | 18 370 703           |
| Interest                                                                                     | 32 685 768           | 16 651 758           |
| Refuse                                                                                       | 8 499 847            | 4 911 699            |
| Sundries                                                                                     | 5 401 377            | 5 641 278            |
| VAT                                                                                          | 6 125 930            | 3 272 212            |
| Other                                                                                        | 1 610 466            | 675 967              |
|                                                                                              | <b>165 741 797</b>   | <b>75 138 636</b>    |
| <b>Included in above is receivables from exchange transactions</b>                           |                      |                      |
| Electricity                                                                                  | 64 615 885           | 18 370 703           |
| Interest                                                                                     | 32 685 768           | 16 651 758           |
| Refuse                                                                                       | 8 499 847            | 4 911 699            |
| Sundries                                                                                     | 5 401 377            | 5 641 278            |
| VAT                                                                                          | 6 125 930            | 3 272 212            |
| Other                                                                                        | 1 610 466            | 675 967              |
|                                                                                              | <b>118 939 273</b>   | <b>49 523 617</b>    |
| <b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b> |                      |                      |
| Property Rates                                                                               | 46 802 524           | 25 615 019           |
| <b>Net balance</b>                                                                           | <b>165 741 797</b>   | <b>75 138 636</b>    |
| <b>Rates</b>                                                                                 |                      |                      |
| Current (0 -30 days)                                                                         | 9 930 734            | 9 544 252            |
| 31 - 60 days                                                                                 | 3 455 752            | 3 540 489            |
| 61 - 90 days                                                                                 | 3 157 250            | 3 174 335            |
| 91 - 120 days                                                                                | 3 065 911            | 2 738 966            |
| 121 - 365 days                                                                               | 107 970 542          | 84 808 003           |
|                                                                                              | <b>127 580 189</b>   | <b>103 806 045</b>   |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                      | 2021               | 2020              |
|------------------------------------------------------|--------------------|-------------------|
| <b>11. Consumer debtors (continued)</b>              |                    |                   |
| <b>Electricity</b>                                   |                    |                   |
| Current (0 -30 days)                                 | 123 556 348        | 31 871 840        |
| 31 - 60 days                                         | 3 534 586          | 3 580 277         |
| 61 - 90 days                                         | 3 074 302          | 2 653 525         |
| 91 - 120 days                                        | 2 520 335          | 2 806 635         |
| 121 - 365 days                                       | 43 452 511         | 32 417 639        |
|                                                      | <b>176 138 082</b> | <b>73 329 916</b> |
| <b>Interest</b>                                      |                    |                   |
| Current (0 -30 days)                                 | 5 062 899          | 4 017 832         |
| 31 - 60 days                                         | 2 410 238          | 1 878 162         |
| 61 - 90 days                                         | 2 322 352          | 1 806 379         |
| 91 - 120 days                                        | 2 253 850          | 1 732 516         |
| 121 - 365 days                                       | 77 049 626         | 57 033 552        |
|                                                      | <b>89 098 965</b>  | <b>66 468 441</b> |
| <b>Refuse</b>                                        |                    |                   |
| Current (0 -30 days)                                 | 1 466 753          | 1 891 613         |
| 31 - 60 days                                         | 509 875            | 558 350           |
| 61 - 90 days                                         | 499 668            | 546 818           |
| 91 - 120 days                                        | 479 308            | 421 713           |
| 121 - 365 days                                       | 20 214 346         | 16 187 423        |
|                                                      | <b>23 169 950</b>  | <b>19 605 917</b> |
| <b>Sundries</b>                                      |                    |                   |
| Current (0 -30 days)                                 | 1 770 668          | 11 641 714        |
| 31 - 60 days                                         | 642 386            | 611 245           |
| 61 - 90 days                                         | 622 004            | 509 187           |
| 91 - 120 days                                        | 696 514            | 404 495           |
| 121 - 365 days                                       | 10 992 179         | 9 351 519         |
|                                                      | <b>14 723 751</b>  | <b>22 518 160</b> |
| <b>VAT</b>                                           |                    |                   |
| Current (0 -30 days)                                 | 4 987 087          | 3 761 850         |
| 31 - 60 days                                         | 663 789            | 665 912           |
| 61 - 90 days                                         | 558 784            | 516 704           |
| 91 - 120 days                                        | 517 053            | 537 946           |
| 121 - 365 days                                       | 9 972 119          | 7 579 201         |
|                                                      | <b>16 698 832</b>  | <b>13 061 613</b> |
| <b>Other</b>                                         |                    |                   |
| Current (0 -30 days)                                 | 561 174            | 115 152           |
| 31 - 60 days                                         | 233 739            | 90 842            |
| 61 - 90 days                                         | 232 721            | 118 176           |
| 91 - 120 days                                        | 234 776            | 140 342           |
| 121 - 365 days                                       | 3 327 599          | 2 233 730         |
|                                                      | <b>4 590 009</b>   | <b>2 698 242</b>  |
| <b>Summary of debtors by customer classification</b> |                    |                   |
| <b>Residential</b>                                   |                    |                   |
| Current (0 -30 days)                                 | 30 415 942         | 13 913 855        |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                              | 2021                      | 2020                     |
|--------------------------------------------------------------|---------------------------|--------------------------|
| <b>11. Consumer debtors (continued)</b>                      |                           |                          |
| 31 - 60 days                                                 | 4 055 285                 | 3 880 728                |
| 61 - 90 days                                                 | 3 735 817                 | 3 494 202                |
| 91 - 120 days                                                | 3 644 695                 | 3 460 466                |
| 121 - 365 days                                               | 140 329 071               | 19 888 154               |
| > 365 days                                                   | -                         | 93 872 089               |
|                                                              | <u>182 180 810</u>        | <u>138 509 494</u>       |
| Less: Allowance for impairment                               | (115 348 163)             | (104 200 523)            |
|                                                              | <b><u>66 832 647</u></b>  | <b><u>34 308 971</u></b> |
| <b>Industrial/ Commercial/Government/Churches/ Municipal</b> |                           |                          |
| Current (0 -30 days)                                         | 63 887 308                | 39 322 641               |
| 31 - 60 days                                                 | 4 839 973                 | 4 925 072                |
| 61 - 90 days                                                 | 4 658 359                 | 4 220 695                |
| 91 - 120 days                                                | 3 913 578                 | 3 752 101                |
| 121 - 365 days                                               | 79 516 666                | 13 856 578               |
| > 365 days                                                   | -                         | 42 534 539               |
|                                                              | <u>156 815 884</u>        | <u>108 611 626</u>       |
| Less: Allowance for impairment                               | (99 288 307)              | (81 402 105)             |
|                                                              | <b><u>57 527 577</u></b>  | <b><u>27 209 521</u></b> |
| <b>Agriculture</b>                                           |                           |                          |
| Current (0 -30 days)                                         | 52 832 414                | 9 607 755                |
| 31 - 60 days                                                 | 2 555 107                 | 2 119 477                |
| 61 - 90 days                                                 | 2 072 907                 | 1 610 226                |
| 91 - 120 days                                                | 2 209 472                 | 1 570 045                |
| 121 - 365 days                                               | 53 133 185                | 8 095 562                |
| > 365 days                                                   | -                         | 31 364 144               |
|                                                              | <u>112 803 085</u>        | <u>54 367 209</u>        |
| Less: Allowance for impairment                               | (71 421 511)              | (40 747 068)             |
|                                                              | <b><u>41 381 574</u></b>  | <b><u>13 620 141</u></b> |
| <b>Total</b>                                                 |                           |                          |
| Current (0 -30 days)                                         | 147 135 664               | 62 844 251               |
| 31 - 60 days                                                 | 11 450 365                | 10 925 277               |
| 61 - 90 days                                                 | 10 467 083                | 9 325 123                |
| 91 - 120 days                                                | 9 767 745                 | 8 782 613                |
| 121 - 365 days                                               | 272 978 922               | 41 840 295               |
| > 365 days                                                   | -                         | 167 770 772              |
|                                                              | <u>451 799 779</u>        | <u>301 488 331</u>       |
| Less: Allowance for impairment                               | (286 057 981)             | (226 349 695)            |
|                                                              | <b><u>165 741 798</u></b> | <b><u>75 138 636</u></b> |
| <b>Less: Allowance for impairment</b>                        |                           |                          |
| Current (0 -30 days)                                         | (134 440 829)             | (47 100 429)             |
| 31 - 60 days                                                 | (23 372 119)              | (8 188 263)              |
| 61 - 90 days                                                 | (19 948 958)              | (6 988 982)              |
| 91 - 120 days                                                | (18 788 381)              | (6 582 381)              |
| 121 - 365 days                                               | (89 507 694)              | (31 358 411)             |
| > 365 days                                                   | -                         | (126 131 229)            |
|                                                              | <u>(286 057 981)</u>      | <u>(226 349 695)</u>     |
| <b>Consumer debtors pledged as security</b>                  |                           |                          |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 11. Consumer debtors (continued)

No portion of accounts receivables was pledged as security for any financial liabilities.

#### Credit quality of consumer debtors

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

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's consumer debtors.

#### Fair value of consumer debtors

|                  |             |             |
|------------------|-------------|-------------|
| Consumer debtors | 451 799 778 | 301 488 331 |
|------------------|-------------|-------------|

The fair value of accounts receivable approximates their carrying amounts.

#### Consumer debtors impaired

As of 30 June 2021, consumer debtors of 286 057 981 (2020: 226 349 695) were impaired and provided for.

An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end. The provision for doubtful debts is determined in line with the municipality's approved method and assumptions for calculating provision for bad debts. An amount of 5 283 as of 30 June 2021 (2020: 996 596) was written off during the year as uncollectable.

The amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking into account of any collateral held or other credit enhancements.

#### Reconciliation of provision for doubtful debts

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Opening balance                      | 226 349 695        | 186 940 687        |
| Allowance for impairment             | 59 713 568         | 40 405 604         |
| Amounts written off as uncollectible | (5 283)            | (996 596)          |
|                                      | <u>286 057 980</u> | <u>226 349 695</u> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| Primary bank account | 205 758 240        | 143 623 386        |
| Cash Float           | 13 200             | 13 200             |
| Petty Cash           | 15 000             | 15 000             |
|                      | <b>205 786 440</b> | <b>143 651 586</b> |

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

### Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral in the current financial year and previous years.

### 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       |
| FNB BANK - Primary account - 623-0832-9988      | 205 898 658             | 146 102 026        | 87 201 409         | 205 753 008        | 143 623 386        | 90 954 379         |
| FNB BANK - Investment account - 623-0833-0779   | -                       | -                  | 20 482             | -                  | -                  | 20 482             |
| FNB BANK - Investment account - 624-0465-0435   | -                       | -                  | 730 945            | -                  | -                  | 730 945            |
| FNB BANK - Call account - 624-8284-3408         | -                       | -                  | 102 671            | -                  | -                  | 102 671            |
| VBS MUTUAL BANK Investment account-010029570008 | 20 402 053              | 20 402 053         | 20 402 053         | 20 402 053         | 20 402 053         | 20 402 053         |
| VBS MUTUAL BANK Investment account-010029570007 | 42 332 363              | 42 332 363         | 42 332 363         | 42 332 363         | 42 332 363         | 42 332 363         |
| <b>Total</b>                                    | <b>268 633 074</b>      | <b>208 836 442</b> | <b>150 789 923</b> | <b>268 487 424</b> | <b>206 357 802</b> | <b>154 542 893</b> |

### Investment in VBS Mutual Bank:

Short term investment in VBS of R62,734,416 (2020:R62,734,416) has been impaired in full. VBS Mutual Bank was placed under curatorship by the Reserve Bank of South Africa on 11 March 2018 following material irregularities and alleged fraud by those charged with governance of the bank. The bank failed to honor its obligations due to liquidity crisis.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2021                    | 2020                  |
|----------------------------------------------------|-------------------------|-----------------------|
| <b>13. Finance lease obligation</b>                |                         |                       |
| <b>Minimum lease payments due</b>                  |                         |                       |
| - within one year                                  | 786 489                 | 183 118               |
| - in second to fifth year inclusive                | 1 114 192               | -                     |
|                                                    | <u>1 900 681</u>        | <u>183 118</u>        |
| less: future finance charges                       | (156 735)               | -                     |
| <b>Present value of minimum lease payments</b>     | <b><u>1 743 946</u></b> | <b><u>183 118</u></b> |
| <b>Present value of minimum lease payments due</b> |                         |                       |
| - within one year                                  | 686 149                 | 183 118               |
| - in second to fifth year inclusive                | 1 057 797               | -                     |
|                                                    | <u>1 743 946</u>        | <u>183 118</u>        |
| Non-current liabilities                            | 1 057 797               | -                     |
| Current liabilities                                | 686 149                 | 183 118               |
|                                                    | <u>1 743 946</u>        | <u>183 118</u>        |

It is municipality policy to lease certain equipment under finance leases, denominated in the presentation currency (Rand). The average lease term was 3 years, interest rates are fixed at the contract date and leases have fixed repayments. No arrangements have been entered into for contingent rent.

### Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

### Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

|      |           |         |
|------|-----------|---------|
| Rand | 1 743 946 | 183 118 |
|------|-----------|---------|

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .The fair value of finance lease liabilities approximates their carrying amounts.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 14. Unspent conditional grants and receipts

Unspent grants are mainly attributed to projects that are work in progress in the relevant financial year-ends. The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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

##### Unspent conditional grants and receipts

|                                  |          |                   |
|----------------------------------|----------|-------------------|
| Municipal Infrastructure Grant   | -        | 9 583 567         |
| Local Economic Development Grant | -        | 903 867           |
|                                  | <u>-</u> | <u>10 487 434</u> |

#### Movement during the year

|                                      |                      |                      |
|--------------------------------------|----------------------|----------------------|
| Balance at the beginning of the year | 10 487 434           | 3 473 128            |
| Additions during the year            | 104 631 869          | 115 246 000          |
| Income recognition during the year   | <u>(115 119 303)</u> | <u>(108 231 694)</u> |
|                                      | <u>-</u>             | <u>10 487 434</u>    |

See note 30 for reconciliation of grants from national or provincial government. The amount of unspent conditional grants and receipts is held in the operating bank account of the municipality until utilized.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 15. Rehabilitation provision

#### Reconciliation of rehabilitation provision - 2021

|                                                            | Opening Balance   | Movement       | Unwind Interest  | Total             |
|------------------------------------------------------------|-------------------|----------------|------------------|-------------------|
| Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256] | 38 714 764        | (3 963 322)    | 2 288 313        | 37 039 755        |
| New Landfill Site [Permit Number:12/9/11/L413/6]           | 1 523 013         | 4 466 232      | 112 866          | 6 102 111         |
|                                                            | <b>40 237 777</b> | <b>502 910</b> | <b>2 401 179</b> | <b>43 141 866</b> |

#### Reconciliation of rehabilitation provision - 2020

|                                                            | Opening Balance   | Movement          | Total             |
|------------------------------------------------------------|-------------------|-------------------|-------------------|
| Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256] | 9 619 750         | 29 095 014        | 38 714 764        |
| New Landfill Site [Permit Number:12/9/11/L413/6]           | 3 713 303         | (2 190 290)       | 1 523 013         |
|                                                            | <b>13 333 053</b> | <b>26 904 724</b> | <b>40 237 777</b> |
| Non-current liabilities                                    |                   | 40 141 866        | 38 237 777        |
| Current liabilities                                        |                   | 3 000 000         | 2 000 000         |
|                                                            |                   | <b>43 141 866</b> | <b>40 237 777</b> |

### Environmental rehabilitation provision

Long-term obligations comprising pollution control, rehabilitation and site closure result from environmental disturbances associated with the municipality's operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

#### Restoration costs

Changes in the discounted amount of estimated restoration costs are charged to profit or loss during the period in which such changes occur. Estimated restoration costs are reviewed annually and discounted using a pre-tax risk-free rate that reflects market assessments of the value of money. The increase in restoration provisions owing to the passage of time is charged to finance costs. All other charges in the carrying amount of the provision subsequent to initial recognition are included in profit or loss in the period in which they are incurred.

#### Ongoing rehabilitation cost

The cost of ongoing current programmes to prevent and control pollution is recognised as an expense when incurred.

#### Critical accounting estimates and assumptions

The municipality's activities are subject to various laws and regulations governing the protection of the environment. The municipality recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred and actual timing thereof in future periods can differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of site estimates and discount rates can affect the carrying amount of this provision.

Estimated long-term environmental provisions, comprising pollution control, rehabilitation and landfill site closure, are based on the municipality's environmental policy taking into account current technological, environmental and regulatory requirements. Provisions for future rehabilitation costs have been determined, based on calculations which require the use of estimates.

Rehabilitation costs have been calculated as the present value of future obligation, discounted at an interest rate of 5.9% for the Vondeling Landfill and 7.4% for the Makhado Landfill.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 16. Deferred Income

|                 |         |         |
|-----------------|---------|---------|
| Deferred Income | 147 645 | 147 200 |
|-----------------|---------|---------|

### 17. Payables from exchange transactions

|                                          |                    |                    |
|------------------------------------------|--------------------|--------------------|
| Accrued operating creditors              | 69 786 138         | 103 574 347        |
| Retentions                               | 28 067 037         | 23 262 427         |
| Debtors with credit balances             | 15 531 508         | 11 468 396         |
| Other creditors                          | 13 412 966         | 5 477 707          |
| Provision for bonus: Section 57 Managers | 523 318            | 346 235            |
| Provision for leave pay                  | 36 839 592         | 31 934 917         |
| Provision for bonus: General Employees   | 5 839 366          | 6 123 571          |
|                                          | <b>169 999 925</b> | <b>182 187 600</b> |

### Fair value of payables from exchange transactions

|                |             |             |
|----------------|-------------|-------------|
| Trade payables | 169 999 925 | 182 187 600 |
|----------------|-------------|-------------|

The carrying amount of payables from exchange transactions approximates their fair values. The fair value is determined after considering the standard terms and conditions of agreements entered into by the Municipality and the parties. The Municipality did not default on any accounts payable in respect of capital or interest portions. No terms attached to the accounts payable were re-negotiated.

### Trade payables

The average credit period on purchases is 30 days from receipt of the invoice, as determined by Section 99 of the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. Included under payables are payments received in advance which are non-interest bearing and normally settled on 30 day terms.

### Staff leave

Annual leave accrues to employees on a monthly basis 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.

### Retention

Retention is non-interest bearing and settled in terms of the contract agreement.

### 13th Cheque

A 13th cheque or annual bonus accrues to staff on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff and is paid after the completion of twelve months. The Municipality has an obligation to pay a service bonus in terms of its conditions of employment.

### 18. VAT payable

|             |            |            |
|-------------|------------|------------|
| VAT payable | 10 056 949 | 23 768 088 |
|-------------|------------|------------|

The financial statements have been prepared on the accrual basis whilst VAT is payable to SARS on the payment's basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made. Interest on late payment is charged according to SARS policies.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 19. Consumer deposits

|                |                   |                   |
|----------------|-------------------|-------------------|
| Electricity    | 15 940 248        | 16 478 179        |
| Housing rental | 88 343            | 88 343            |
|                | <b>16 028 591</b> | <b>16 566 522</b> |

During the financial period ended 30 June 2021, the municipality had guarantees in lieu of customers of R3 253 575 (2020: R3 268 625).

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

Business consumers are allowed to provide guarantees on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the Municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

### 20. Revenue

|                                               |                      |                      |
|-----------------------------------------------|----------------------|----------------------|
| Service charges                               | 448 765 782          | 362 565 484          |
| Rental of facilities and equipment            | 256 904              | 381 680              |
| Interest earned - outstanding receivables     | 8 642 650            | 8 901 060            |
| Agency services                               | 4 084 953            | 3 740 577            |
| Licences and permits                          | 4 465 794            | 4 055 180            |
| Other income                                  | 72 829 481           | 56 933 549           |
| Interest received from financial institutions | 5 137 404            | 6 980 644            |
| Property rates                                | 87 658 434           | 81 250 406           |
| Interest earned - outstanding receivables     | 16 208 507           | 12 799 669           |
| Government grants & subsidies                 | 585 528 084          | 465 759 695          |
| Fines, penalties and forfeits                 | 5 256 032            | 1 475 464            |
|                                               | <b>1 238 834 025</b> | <b>1 004 843 408</b> |

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

|                                               |                    |                    |
|-----------------------------------------------|--------------------|--------------------|
| Service charges                               | 448 765 782        | 362 565 484        |
| Rental of facilities and equipment            | 256 904            | 381 680            |
| Interest earned- outstanding receivables      | 8 642 650          | 8 901 060          |
| Agency services                               | 4 084 953          | 3 740 577          |
| Licences and permits                          | 4 465 794          | 4 055 180          |
| Other income                                  | 72 829 481         | 56 933 549         |
| Interest received from financial institutions | 5 137 404          | 6 980 644          |
|                                               | <b>544 182 968</b> | <b>443 558 174</b> |

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

##### Taxation revenue

|                                          |            |            |
|------------------------------------------|------------|------------|
| Property rates                           | 87 658 434 | 81 250 406 |
| Interest earned- outstanding receivables | 16 208 507 | 12 799 669 |

##### Transfer revenue

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Government grants & subsidies | 585 528 084        | 465 759 695        |
| Fines, Penalties and Forfeits | 5 256 032          | 1 475 464          |
|                               | <b>694 651 057</b> | <b>561 285 234</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                    | 2021               | 2020               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>21. Service charges</b>                                                                                                                                                         |                    |                    |
| Sale of electricity                                                                                                                                                                | 435 800 352        | 350 516 594        |
| Refuse removal                                                                                                                                                                     | 12 965 430         | 12 048 890         |
|                                                                                                                                                                                    | <b>448 765 782</b> | <b>362 565 484</b> |
| The amount disclosed above for revenue from service charges is in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs. |                    |                    |
| <b>22. Rental of facilities and equipment</b>                                                                                                                                      |                    |                    |
| <b>Premises</b>                                                                                                                                                                    |                    |                    |
| Venue hire                                                                                                                                                                         | 87 215             | 86 683             |
| <b>Garages and parking</b>                                                                                                                                                         |                    |                    |
| Rental Car Ports                                                                                                                                                                   | 25 254             | 21 011             |
| <b>Facilities and equipment</b>                                                                                                                                                    |                    |                    |
| Rental-Show Ground                                                                                                                                                                 | 131 529            | 101 104            |
| Rental of equipment                                                                                                                                                                | 12 906             | 172 882            |
|                                                                                                                                                                                    | <b>144 435</b>     | <b>273 986</b>     |
|                                                                                                                                                                                    | <b>256 904</b>     | <b>381 680</b>     |
| <b>23. Fines, Penalties and Forfeits</b>                                                                                                                                           |                    |                    |
| Overdue Books Fines                                                                                                                                                                | 33                 | 1 158              |
| Pound Fees Fines                                                                                                                                                                   | 81 931             | 40 661             |
| Service Provider Traffic Fines                                                                                                                                                     | -                  | 795                |
| Municipal Traffic Fines                                                                                                                                                            | 5 174 068          | 1 432 850          |
|                                                                                                                                                                                    | <b>5 256 032</b>   | <b>1 475 464</b>   |
| <b>24. Agency services</b>                                                                                                                                                         |                    |                    |
| Vehicle Registration & Licencing                                                                                                                                                   | 4 084 953          | 3 740 577          |
| <b>25. Licences and permits (exchange)</b>                                                                                                                                         |                    |                    |
| Dog                                                                                                                                                                                | 8 280              | 8 820              |
| Trading                                                                                                                                                                            | 187 028            | 382 608            |
| Road and Transport                                                                                                                                                                 | 4 270 486          | 3 663 752          |
|                                                                                                                                                                                    | <b>4 465 794</b>   | <b>4 055 180</b>   |
| <b>26. Interest earned -outstanding receivables</b>                                                                                                                                |                    |                    |
| Interest earned -outstanding receivables: non-exchange transactions                                                                                                                | 16 208 507         | 12 799 669         |
| Interest earned -outstanding receivables: exchange transactions                                                                                                                    | 8 642 650          | 8 901 060          |
|                                                                                                                                                                                    | <b>24 851 157</b>  | <b>21 700 729</b>  |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                          | 2021                 | 2020                 |
|----------------------------------------------------------|----------------------|----------------------|
| <b>27. Other income</b>                                  |                      |                      |
| Burial fees                                              | 173 023              | 129 100              |
| Advertising                                              | 7 471                | 22 317               |
| Employee benefit vesting                                 | 2 699 475            | 3 831 174            |
| Land sales                                               | -                    | 2 986 952            |
| Sundries                                                 | 2 744 789            | 932 182              |
| Actuarial income                                         | -                    | 18 521 399           |
| Sale of tender documents                                 | 256 500              | 284 134              |
| Building plans                                           | 158 055              | 134 659              |
| Reversal of impairment: VDM                              | 66 790 168           | 30 091 632           |
|                                                          | <b>72 829 481</b>    | <b>56 933 549</b>    |
| <b>28. Interest received from financial institutions</b> |                      |                      |
| <b>Interest revenue</b>                                  |                      |                      |
| Interest received from investments                       | -                    | 35 341               |
| Interest received from primary account                   | 5 137 404            | 6 945 303            |
|                                                          | <b>5 137 404</b>     | <b>6 980 644</b>     |
| <b>29. Property rates</b>                                |                      |                      |
| <b>Rates received</b>                                    |                      |                      |
| Residential                                              | 42 052 948           | 40 214 135           |
| Commercial                                               | 26 825 283           | 26 973 763           |
| State                                                    | 18 780 203           | 14 062 508           |
|                                                          | <b>87 658 434</b>    | <b>81 250 406</b>    |
| <b>Valuations</b>                                        |                      |                      |
| Residential                                              | 5 234 188 789        | 5 095 568 441        |
| Business                                                 | 2 160 505 223        | 2 373 216 714        |
| Agricultural                                             | 8 396 864 200        | 8 221 519 334        |
| Municipal                                                | 170 701 102          | 291 091 855          |
| Churches                                                 | 103 044 570          | 134 120 270          |
| Government                                               | 1 457 501 215        | 559 512 750          |
| Public Service Purposes                                  | 210 753 975          | -                    |
|                                                          | <b>7 733 559 074</b> | <b>6 675 029 364</b> |

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owner's accounts.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 30. Government grants and subsidies

#### Operating grants

|                                                              |                    |                    |
|--------------------------------------------------------------|--------------------|--------------------|
| Equitable share                                              | 469 106 000        | 357 528 000        |
| Expanded Public Works Programmes (EPWP)                      | 2 270 000          | 1 863 000          |
| Finance Management Grant (FMG)                               | 1 700 000          | 1 700 000          |
| Local Government Sector for Education and Training Authority | 3 748 650          | 1 957 001          |
| Disaster Management Grant                                    | -                  | 149 000            |
|                                                              | <b>476 824 650</b> | <b>363 197 001</b> |

#### Capital grants

|                                           |                    |                    |
|-------------------------------------------|--------------------|--------------------|
| Municipal Infrastructure Grant (MIG)      | 97 459 567         | 79 993 433         |
| Integrated Electrification Program (INEP) | 10 340 000         | 20 000 000         |
| Local Economic Development (LED)          | 903 867            | 2 569 261          |
|                                           | <b>108 703 434</b> | <b>102 562 694</b> |
|                                           | <b>585 528 084</b> | <b>465 759 695</b> |

#### Capital and Operational Grants Received

Included in above are the following grants and subsidies received:

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Capital grants received     | 98 216 000         | 109 577 000        |
| Operational grants received | 7 718 650          | 5 669 000          |
| Equitable Share             | 469 106 000        | 357 528 000        |
|                             | <b>575 040 650</b> | <b>472 774 000</b> |

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. Makhado Local Municipality received additional allocation of R84 million during the financial year for the purposes of COVID-19 Relief Funds.

All registered indigents receive a monthly subsidy of 1 484 386 (2020: 2 154 901), which is funded from the grant.

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| Current-year receipts                   | 469 106 000   | 357 528 000   |
| Conditions met - transferred to revenue | (469 106 000) | (357 528 000) |
|                                         | <b>-</b>      | <b>-</b>      |

#### Municipal Infrastructure Grant (MIG)

|                                         |              |                  |
|-----------------------------------------|--------------|------------------|
| Balance unspent at beginning of year    | 9 583 567    | -                |
| Current-year receipts                   | 87 876 000   | 89 577 000       |
| Conditions met - transferred to revenue | (97 459 567) | (79 993 433)     |
|                                         | <b>-</b>     | <b>9 583 567</b> |

MIG Grant was used to accelerate the provision of basic service delivery through construction of capital projects. Conditions of the grant were fully satisfied - (see note 14).

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 30. Government grants and subsidies (continued)

#### Integrated National Electricity Programme (INEP)

|                                         |              |              |
|-----------------------------------------|--------------|--------------|
| Current-year receipts                   | 10 340 000   | 20 000 000   |
| Conditions met - transferred to revenue | (10 340 000) | (20 000 000) |
|                                         | -            | -            |

The purpose of this grant is to address electrification backlog of permanently occupied residential dwellings. Conditions of the grant were fully satisfied - (see note 14).

#### Expanded Public Works Grant (EPWP)

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Current-year receipts                   | 2 270 000   | 1 863 000   |
| Conditions met - transferred to revenue | (2 270 000) | (1 863 000) |
|                                         | -           | -           |

The grant was received from the Department of public works, roads, and infrastructure and spent on employing casual workers within community based projects. Conditions of the grant were fully satisfied - (see note 14).

#### Financial Management Grant (FMG)

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Current-year receipts                   | 1 700 000   | 1 700 000   |
| Conditions met - transferred to revenue | (1 700 000) | (1 700 000) |
|                                         | -           | -           |

The Finance Management Grant is paid by National Treasury to municipalities to help implement the finance reforms required by the Municipal Finance Management Act (MFMA), 2003. The Finance Management Grant also pays for the cost of the Financial Management Internship Programme (e.g. Salary cost of the financial management interns). Conditions of the grant were fully satisfied - (see note 14).

#### Local Economic Development Grant (LED)

|                                         |           |             |
|-----------------------------------------|-----------|-------------|
| Balance unspent at beginning of year    | 903 867   | 3 473 128   |
| Conditions met - transferred to revenue | (903 867) | (2 569 261) |
|                                         | -         | 903 867     |

The purpose of this grant is to encourage local economic development, by allowing local people to work together to achieve sustainable economic growth and development. Conditions of the grant were fully satisfied - (see note 14).

#### Local Government Sector for Education and Training Authority

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Current-year receipts                   | 3 748 650   | 1 957 000   |
| Conditions met - transferred to revenue | (3 748 650) | (1 957 000) |
|                                         | -           | -           |

The grant is used to pay for training courses. It supplements / augments the funds on the training vote. It is used to fund the primary and secondary skills development facilitators when they are out of the office on skills development related matters. The conditions of the grant were fully met- (see note 14).

#### Disaster Management Grant

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 31. Employee related costs

|                                                                    |                    |                    |
|--------------------------------------------------------------------|--------------------|--------------------|
| Basic                                                              | 156 021 297        | 151 621 950        |
| Bonus                                                              | 13 027 379         | 13 419 927         |
| Medical aid - company contributions                                | 18 300 593         | 17 235 344         |
| UIF                                                                | 978 298            | 1 003 226          |
| Other payroll levies                                               | 64 172             | 62 993             |
| Leave pay provision charge                                         | 6 130 009          | 6 906 561          |
| Post employment benefits                                           | 32 557 453         | 31 740 530         |
| Travel, motor car, accommodation, subsistence and other allowances | 13 271 230         | 13 003 441         |
| Overtime payments                                                  | 28 580 821         | 20 164 534         |
| Employee benefits - Current service costs                          | 4 545 000          | 6 746 997          |
| Acting allowances                                                  | 2 285 670          | 1 989 937          |
| Housing benefits and allowances                                    | 431 459            | 422 191            |
| Standby allowance                                                  | 2 644 686          | 2 243 320          |
| Group life insurance                                               | 1 763 801          | 1 671 280          |
| Employee benefits - Actuarial Loss                                 | 6 764 706          | -                  |
|                                                                    | <b>287 366 574</b> | <b>268 232 231</b> |

### Remuneration of Municipal Manager

|                                                 |                |                  |
|-------------------------------------------------|----------------|------------------|
| Annual Remuneration                             | 333 407        | 998 648          |
| Acting Allowance                                | 97 081         | -                |
| Car Allowance                                   | 99 410         | 300 389          |
| Contributions to UIF, Medical and Pension Funds | 73 961         | 221 297          |
| Other                                           | 6 155          | 18 466           |
|                                                 | <b>610 014</b> | <b>1 538 800</b> |

Appointed 01 December 2017 and resigned on 31 October 2020. The position is currently on acting basis and recruitment processes are currently underway to fill in the vacant position.

### Remuneration of Chief Finance Officer

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 754 736          | 754 736          |
| Acting Allowance                                | 43 017           | -                |
| Car Allowance                                   | 311 612          | 314 354          |
| Contributions to UIF, Medical and Pension Funds | 191 545          | 188 804          |
|                                                 | <b>1 300 910</b> | <b>1 257 894</b> |

Appointed 01 November 2018 and the employment is still subsisting.

### Remuneration of Director Technical Services

|                         |               |                |
|-------------------------|---------------|----------------|
| Acting Allowance        | 74 854        | 109 572        |
| Total remuneration paid | -             | -              |
|                         | <b>74 854</b> | <b>109 572</b> |

The director resigned in 2017/18 financial year and the position is on acting basis. Recruitment processes are currently underway to fill in the vacant position.

### Remuneration of Director Corporate Services

|                                                 |        |        |
|-------------------------------------------------|--------|--------|
| Annual Remuneration                             | -      | 64 037 |
| Acting allowance                                | 78 343 | 94 961 |
| Car Allowance                                   | -      | 25 093 |
| Contributions to UIF, Medical and Pension Funds | -      | 14 471 |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                               | 2021          | 2020           |
|-----------------------------------------------|---------------|----------------|
| <b>31. Employee related costs (continued)</b> |               |                |
| Other                                         | -             | 1 224          |
|                                               | <u>78 343</u> | <u>199 786</u> |

The Director Corporate services' contract ended on 31 July 2019. Currently position on acting basis. Recruitment processes are currently underway to fill in the vacant position.

### Remuneration of Director Planning and Development

|                  |               |                |
|------------------|---------------|----------------|
| Acting Allowance | <u>77 745</u> | <u>115 635</u> |
|------------------|---------------|----------------|

The director resigned in 2018/19 financial year and the position is on acting basis. Recruitment processes are currently underway to fill in the vacant position.

### Remuneration of Director Community Services

|                  |               |                |
|------------------|---------------|----------------|
| Acting Allowance | <u>78 343</u> | <u>114 717</u> |
|------------------|---------------|----------------|

The director resigned in 2018/19 financial year and the position is on acting basis. Recruitment processes are currently underway to fill in the vacant position.

### 32. Remuneration of councillors

|             |                   |                   |
|-------------|-------------------|-------------------|
| Mayor       | 913 869           | 913 771           |
| Speaker     | 715 078           | 720 508           |
| Councillors | 24 528 730        | 24 801 965        |
|             | <u>26 157 677</u> | <u>26 436 244</u> |

### In-kind benefits

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

The Mayor and Speaker have use of Council owned vehicles for official duties. The Mayor and Speaker have full-time secretary and manager.

The allowances and benefits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisaged in section 219 of the Constitution. Refer to Government Gazette nr 43246 of 24 April 2020.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 32. Remuneration of councillors (continued)

#### Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

#### 30 June 2021

| Councillors        | Emoluments | Travel allowance | Cellphone allowance | Other Benefits | Total   |
|--------------------|------------|------------------|---------------------|----------------|---------|
| Mrs SM SINYOSI     | 212 152    | 70 718           | 11 075              | -              | 293 945 |
| Ms D RATSHIKUNI    | 502 790    | 167 597          | 15 118              | -              | 685 505 |
| Ms MS MACHETHE     | 252 226    | 84 075           | 10 492              | -              | 346 793 |
| Ms TP MAMOROBELA   | 502 790    | 167 597          | 9 380               | -              | 679 767 |
| Mr NS MUNYAI       | 670 387    | 223 463          | 20 019              | -              | 913 869 |
| Mr MR MAGADA       | 252 226    | 84 075           | 13 533              | -              | 349 834 |
| Mrs TM MALANGE     | 488 040    | 162 681          | 11 881              | -              | 662 602 |
| Mr ME MALIMA       | 212 152    | 70 718           | 9 609               | -              | 292 479 |
| Mr FN MADZHIGA     | 272 263    | 90 754           | 6 450               | -              | 369 467 |
| Ms MS TSHILAMBYANA | 232 189    | 77 396           | 1 908               | -              | 311 493 |
| Mr NF CHILILLO     | 280 491    | 93 497           | 3 130               | -              | 377 118 |
| Mr ND DAVHANA      | 502 790    | 167 597          | 7 246               | -              | 677 633 |
| Mr TC MAMAFHA      | 272 263    | 90 754           | -                   | -              | 363 017 |
| Mrs R RALIPHADA    | 212 152    | 70 718           | 8 087               | -              | 290 957 |
| Mr N KUTAMA        | 272 263    | 90 754           | 21 787              | -              | 384 804 |
| Mrs MJ GABARA      | 232 189    | 77 393           | 23 212              | -              | 332 794 |
| Mrs MF MUKHARI     | 212 152    | 70 718           | 2 483               | -              | 285 353 |
| Mr TJ MAMAFHA      | 502 790    | 167 597          | 1 806               | -              | 672 193 |
| Mr SZ MTHOMBENI    | 272 263    | 90 754           | 5 182               | -              | 368 199 |
| Mrs VS LUDUVHUNGU  | 212 152    | 70 718           | 9 925               | -              | 292 795 |
| Mr S MASUKA        | 280 491    | 93 497           | 10 656              | -              | 384 644 |
| Mr RH SINTHUMULE   | 6 000      | -                | -                   | -              | 6 000   |
| Ms NB JONES        | 280 491    | 93 497           | 4 604               | -              | 378 592 |
| Mr MJ MPASHE       | 212 152    | 70 718           | 3 447               | -              | 286 317 |
| Mr NS NEMUDZIVHADI | 212 152    | 70 718           | 8 703               | -              | 291 573 |
| Ms MG FURUMELE     | 212 152    | 70 718           | 6 990               | -              | 289 860 |
| Mrs MN NDOU        | 212 152    | 70 718           | 1 970               | -              | 284 840 |
| Ms S MADULA        | 212 152    | 70 718           | 956                 | -              | 283 826 |
| Mrs RASHAMUSE      | 74 819     | 24 976           | 4 199               | -              | 103 994 |
| Mr MA SELAPYANA    | 212 152    | 70 718           | 3 658               | -              | 286 528 |
| Mr J LUKHELI       | 212 152    | 70 718           | 10 747              | -              | 293 617 |
| Mrs TE DZIVHANI    | 212 152    | 70 718           | 81                  | -              | 282 951 |
| Mr SI BULALA       | 212 152    | 70 718           | 224                 | -              | 283 094 |
| Ms TE TAMBANI      | 212 152    | 70 718           | 9 040               | -              | 291 910 |
| Mr MA MASHAMBA     | 212 152    | 70 718           | 10 871              | -              | 293 741 |
| Mr A MATUMBA       | 280 491    | 93 497           | 5 450               | -              | 379 438 |
| Ms MF NETHULWE     | 212 152    | 70 718           | 18 983              | -              | 301 853 |
| Mr G TSHIBVUMO     | 212 152    | 70 718           | 8 886               | -              | 291 756 |
| Ms GT MUKWEVHO     | 280 491    | 93 497           | 328                 | -              | 374 316 |
| Ms TD MUKWEVHO     | 212 152    | 70 718           | 1 216               | -              | 284 086 |
| Mrs LR TSHIAMBWA   | 212 152    | 70 718           | 5 677               | -              | 288 547 |
| Ms NJ SIMANGWE     | 212 152    | 70 718           | 2 879               | -              | 285 749 |
| Mrs TJ MOHLABA     | 212 152    | 70 718           | 1 848               | -              | 284 718 |
| Mr MD NDOU         | 212 152    | 70 718           | 5 074               | -              | 287 944 |
| Mr KM MALULEKE     | 232 189    | 77 396           | 6 787               | -              | 316 372 |
| Mr T KUTAMA        | 212 152    | 70 718           | 6 275               | -              | 289 145 |
| Mr T BALIBALI      | 212 152    | 70 718           | 5 869               | -              | 288 739 |
| Mrs MC NEMATANDANI | 212 152    | 70 718           | 3 763               | -              | 286 633 |
| Mr ME MULEFU       | 232 189    | 77 396           | 4 903               | -              | 314 488 |
| Mr NV MALIVHA      | 212 152    | 70 718           | 2 077               | -              | 284 947 |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2021              | 2020              |
|----------------------------------------------------|-------------------|-------------------|
| <b>32. Remuneration of councillors (continued)</b> |                   |                   |
| Mr SS TSHIFURA                                     | 212 152           | 70 718            |
| Mrs MR MOKGOADI                                    | 212 152           | 70 718            |
| Mrs TM BABADU                                      | 212 152           | 70 718            |
| Mr ET SITHI                                        | 212 152           | 70 718            |
| Ms MG PHOSHOKO                                     | 212 152           | 70 718            |
| Mr KS RAMAVHOYA                                    | 212 152           | 70 718            |
| Mr K MAPHUBU                                       | 212 152           | 70 718            |
| Mr LG MASUTHA                                      | 212 152           | 70 718            |
| Mrs LG MADUWA                                      | 212 152           | 70 718            |
| Mr E MADUWA                                        | 212 152           | 70 718            |
| Mr SS NYELISANI                                    | 212 152           | 70 718            |
| Mr PN MUSANDIWA                                    | 212 152           | 70 718            |
| Mr N MUNYAI                                        | 272 263           | 90 754            |
| Ms GM RAMUSHAVHA                                   | 212 152           | 70 718            |
| Ms TA MARAGA                                       | 212 152           | 70 718            |
| Ms ML MASENGANA                                    | 212 152           | 70 718            |
| Mr P NETSIANDA                                     | 12 000            | -                 |
| Mr F MOLEMA                                        | 12 000            | -                 |
| Mrs MM MPHEPHU                                     | 12 000            | -                 |
| Mr VP KUTAMA                                       | 12 000            | -                 |
| Mr TG MUJILA                                       | 12 000            | -                 |
| Mr HS MUKHARI                                      | 12 000            | -                 |
| Mr VC RAMABULANA                                   | 12 000            | -                 |
| Mr ST MUKHARI                                      | 12 000            | -                 |
| Mr NTL MASHAMBA                                    | 12 000            | -                 |
| Mr SR BALOYI                                       | 212 152           | 70 718            |
| Mr T SESHOKI                                       | 212 152           | 70 718            |
| Mr BK JONES                                        | 212 152           | 70 718            |
| Mr J KHODOGA                                       | 212 152           | 70 718            |
| Mr R MUKHUBA                                       | 25 318            | 8 439             |
| Mr FB Hlongwani                                    | 212 152           | 70 718            |
| Mrs RT MAINGO                                      | 212 152           | 70 718            |
| Mr A DU PLOOY                                      | 212 152           | 70 718            |
| Ms MD Mboyi                                        | 502 790           | 167 597           |
| Mrs LB MOGALE                                      | 536 308           | 178 770           |
| Mrs LM MATHALISE                                   | 272 263           | 90 754            |
|                                                    | <b>19 287 511</b> | <b>6 391 236</b>  |
|                                                    |                   | <b>478 930</b>    |
|                                                    |                   | <b>-</b>          |
|                                                    |                   | <b>26 157 677</b> |

### 30 June 2020

| Councillors              | Emoluments | Travel allowance | Cellphone allowance | Other Benefits | Total   |
|--------------------------|------------|------------------|---------------------|----------------|---------|
| Mr NS MUNYAI [Mayor]     | 670 389    | 223 462          | 19 920              | -              | 913 771 |
| Mrs LB MOGALE [Speaker]  | 536 308    | 178 770          | 5 430               | -              | 720 508 |
| Ms MD Mboyi [Chief Whip] | 502 790    | 167 596          | 4 361               | 29 092         | 703 839 |
| Mrs SM SINYOSI           | 212 152    | 70 717           | 10 398              | 2 213          | 295 480 |
| Ms D RATSHIKUNI          | 502 790    | 167 596          | 21 459              | 17 429         | 709 274 |
| Ms MS MACHETHE           | 272 262    | 90 754           | 13 253              | -              | 376 269 |
| Ms TP MAMOROBELA         | 502 790    | 167 596          | 11 469              | 19 389         | 701 244 |
| Mr MR MAGADA             | 272 262    | 90 754           | 14 219              | -              | 377 235 |
| Mrs TM MALANGE           | 488 040    | 162 680          | 14 634              | 47 523         | 712 877 |
| Mr ME MALIMA             | 212 152    | 70 717           | 11 313              | -              | 294 182 |
| Mr FN MADZHIGA           | 272 262    | 90 754           | 10 263              | 2 983          | 376 262 |
| Ms MS TSHILAMBYANA       | 212 152    | 70 717           | 6 775               | -              | 289 644 |
| Mr NF CHILILO            | 280 491    | 93 496           | 11 310              | 14 540         | 399 837 |
| Mr ND DAVHANA            | 502 790    | 167 596          | 10 203              | 7 007          | 687 596 |
| Mr TC MAMAFHA            | 272 262    | 90 754           | 5 069               | -              | 368 085 |
| Mrs R RALIPHADA          | 212 152    | 70 717           | 12 930              | 5 817          | 301 616 |
| Mr N KUTAMA              | 272 262    | 90 754           | 22 125              | -              | 385 141 |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                    |         |         | 2021   | 2020   |         |
|----------------------------------------------------|---------|---------|--------|--------|---------|
| <b>32. Remuneration of councillors (continued)</b> |         |         |        |        |         |
| Mrs MJ GABARA                                      | 212 152 | 70 717  | 25 588 | -      | 308 457 |
| Mrs MF MUKHARI                                     | 212 152 | 70 717  | 6 044  | -      | 288 913 |
| Mr TJ MAMAFHA                                      | 502 790 | 167 596 | 9 200  | 21 901 | 701 487 |
| Mr SZ MTHOMBENI                                    | 272 262 | 90 754  | 10 570 | 5 291  | 378 877 |
| Mrs VS LUDUVHUNGU                                  | 212 152 | 70 717  | 10 868 | -      | 293 737 |
| Mr S MASUKA                                        | 280 491 | 93 496  | 13 596 | 913    | 388 496 |
| Ms NB JONES                                        | 280 491 | 93 496  | 5 569  | 492    | 380 048 |
| Mr MJ MPASHE                                       | 212 152 | 70 717  | 12 964 | 5 373  | 301 206 |
| Mr NS NEMUDZIVHADI                                 | 212 152 | 70 717  | 8 778  | -      | 291 647 |
| Ms MG FURUMELE                                     | 212 152 | 70 717  | 14 414 | -      | 297 283 |
| Mrs MN NDOU                                        | 212 152 | 70 717  | 5 093  | -      | 287 962 |
| Ms S MADULA                                        | 212 152 | 70 717  | 11 524 | -      | 294 393 |
| Mr MA SELAPYANA                                    | 212 152 | 70 717  | 11 856 | 7 136  | 301 861 |
| Mr J LUKHELI                                       | 212 152 | 70 717  | 16 866 | -      | 299 735 |
| Mrs TE DZIVHANI                                    | 212 152 | 70 717  | 6 494  | -      | 289 363 |
| Mr SI BULALA                                       | 212 152 | 70 717  | 6 460  | -      | 289 329 |
| Ms TE TAMBANI                                      | 212 152 | 70 717  | 8 419  | -      | 291 288 |
| Mr MA MASHAMBA                                     | 212 152 | 70 717  | 15 486 | 6 827  | 305 182 |
| Mr A MATUMBA                                       | 280 491 | 93 496  | 11 753 | 888    | 386 628 |
| Ms MF NETHULWE                                     | 212 152 | 70 717  | 23 576 | -      | 306 445 |
| Mr G TSHIBVUMO                                     | 212 152 | 70 717  | 5 430  | -      | 288 299 |
| Ms GT MUKWEVHO                                     | 280 491 | 93 496  | 3 247  | 4 920  | 382 154 |
| Ms TD MUKWEVHO                                     | 212 152 | 70 717  | 9 596  | -      | 292 465 |
| Mrs LR TSHIAMBWA                                   | 212 152 | 70 717  | 16 127 | -      | 298 996 |
| Ms NJ SIMANGWE                                     | 212 152 | 70 717  | 12 162 | -      | 295 031 |
| Mrs TJ MOHLABA                                     | 212 152 | 70 717  | 11 376 | -      | 294 245 |
| Mr MD NDOU                                         | 212 152 | 70 717  | 10 122 | 5 620  | 298 611 |
| Mr KM MALULEKE                                     | 212 152 | 70 717  | 12 363 | -      | 295 232 |
| Mr T KUTAMA                                        | 212 152 | 70 717  | 12 444 | 594    | 295 907 |
| Mr T BALIBALI                                      | 212 152 | 70 717  | 10 737 | -      | 293 606 |
| Mrs MC NEMATANDANI                                 | 212 152 | 70 717  | 14 226 | -      | 297 095 |
| Mr ME MULEFU                                       | 212 152 | 70 717  | 14 150 | -      | 297 019 |
| Mr NV MALIVHA                                      | 212 152 | 70 717  | 11 286 | 2 306  | 296 461 |
| Mr SS TSHIFURA                                     | 212 152 | 70 717  | 12 572 | -      | 295 441 |
| Mrs MR MOKGOADI                                    | 212 152 | 70 717  | 4 672  | 1 894  | 289 435 |
| Mrs TM BABADU                                      | 212 152 | 70 717  | 9 754  | 2 049  | 294 672 |
| Mr ET SITHI                                        | 212 152 | 70 717  | 10 482 | -      | 293 351 |
| Ms MG PHOSHOKO                                     | 212 152 | 70 717  | 13 260 | -      | 296 129 |
| Mr KS RAMAVHOYA                                    | 212 152 | 70 717  | 14 434 | -      | 297 303 |
| Mr K MAPHUBU                                       | 212 152 | 70 717  | 10 741 | -      | 293 610 |
| Mr LG MASUTHA                                      | 212 152 | 70 717  | 5 968  | -      | 288 837 |
| Mrs LG MADUWA                                      | 212 152 | 70 717  | 4 516  | -      | 287 385 |
| Mr E MADUWA                                        | 212 152 | 70 717  | 6 402  | -      | 289 271 |
| Mr SS NYELISANI                                    | 212 152 | 70 717  | 12 433 | -      | 295 302 |
| Mr PN MUSANDIWA                                    | 212 152 | 70 717  | 10 643 | 3 383  | 296 895 |
| Mr N MUNYAI                                        | 272 262 | 90 754  | 7 754  | -      | 370 770 |
| Ms GM RAMUSHAVHA                                   | 212 152 | 70 717  | 10 875 | -      | 293 744 |
| Ms TA MARAGA                                       | 212 152 | 70 717  | 13 213 | -      | 296 082 |
| Ms ML MASENGANA                                    | 212 152 | 70 717  | 3 680  | -      | 286 549 |
| Mr P NETSIANDA                                     | 12 000  | -       | -      | -      | 12 000  |
| Mr SR BALOYI                                       | 212 152 | 70 717  | 9 192  | -      | 292 061 |
| Mr T SESHOKI                                       | 212 152 | 70 717  | 17 170 | -      | 300 039 |
| Mr BK JONES                                        | 212 152 | 70 717  | 11 599 | -      | 294 468 |
| Mr J KHODOGA                                       | 212 152 | 70 717  | 10 078 | 2 938  | 295 885 |
| Mr FB Hlongwani                                    | 212 152 | 70 717  | 10 078 | 2 938  | 295 885 |
| Mrs RT MAINGO                                      | 212 152 | 70 717  | 5 543  | -      | 288 412 |
| Mr A DU PLOOY                                      | 212 152 | 70 717  | 7 504  | -      | 290 373 |
| Mr VC RAMABULANA                                   | 12 000  | -       | -      | -      | 12 000  |
| Mrs LM MATHALISE                                   | 272 262 | 90 754  | 7 011  | -      | 370 027 |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                               | 2021               | 2020               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>32. Remuneration of councillors (continued)</b>                                                                                                                                                                                                            |                    |                    |
|                                                                                                                                                                                                                                                               | <b>19 057 294</b>  | <b>6 344 405</b>   |
|                                                                                                                                                                                                                                                               | <b>813 089</b>     | <b>221 456</b>     |
|                                                                                                                                                                                                                                                               | <b>221 456</b>     | <b>26 436 244</b>  |
| <b>33. Depreciation and amortisation</b>                                                                                                                                                                                                                      |                    |                    |
| Property, plant and equipment                                                                                                                                                                                                                                 | 124 905 983        | 119 825 716        |
| Investment properties                                                                                                                                                                                                                                         | 381 711            | 381 778            |
| Intangible assets                                                                                                                                                                                                                                             | 872 067            | 744 929            |
| <b>Total depreciation and amortisation</b>                                                                                                                                                                                                                    | <b>126 159 761</b> | <b>120 952 423</b> |
| <b>34. Impairment of non cash generating assets</b>                                                                                                                                                                                                           |                    |                    |
| <b>Impairment of non-cash generating assets</b>                                                                                                                                                                                                               |                    |                    |
| Property, plant and equipment                                                                                                                                                                                                                                 | 1 503 462          | 2 083 146          |
| 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.]               |                    |                    |
| <b>35. Finance costs</b>                                                                                                                                                                                                                                      |                    |                    |
| Interest cost: Actuarial valuation                                                                                                                                                                                                                            | 9 746 000          | 9 750 374          |
| Interest cost: Trade and other payables                                                                                                                                                                                                                       | 880                | 38 164             |
| Interest cost: Finance leases                                                                                                                                                                                                                                 | 77 890             | 47 719             |
| Interest cost: Landfill site                                                                                                                                                                                                                                  | 2 401 179          | 322 686            |
|                                                                                                                                                                                                                                                               | <b>12 225 949</b>  | <b>10 158 943</b>  |
| <b>36. Debt impairment</b>                                                                                                                                                                                                                                    |                    |                    |
| Consumer debtors                                                                                                                                                                                                                                              | 51 920 248         | 35 135 294         |
| Traffic Fines                                                                                                                                                                                                                                                 | 3 037 800          | 17 726 703         |
|                                                                                                                                                                                                                                                               | <b>54 958 048</b>  | <b>52 861 997</b>  |
| <b>37. Bulk purchases</b>                                                                                                                                                                                                                                     |                    |                    |
| Electricity - Eskom                                                                                                                                                                                                                                           | 275 609 956        | 268 243 892        |
| Included in the electricity bulk purchases is 11% R29 531 721 (2020: 10% R26 933 169) which relate to distribution losses. Makhado Municipality gets billed by Eskom on a monthly basis for electricity used/or given to the municipality based on readings.t |                    |                    |
| <b>38. Contracted services</b>                                                                                                                                                                                                                                |                    |                    |
| <b>Outsourced Services</b>                                                                                                                                                                                                                                    |                    |                    |
| Business and Advisory                                                                                                                                                                                                                                         | 15 364 428         | 8 800 911          |
| Cleaning Services                                                                                                                                                                                                                                             | 896 500            | 815 000            |
| Clearing and Grass Cutting Services                                                                                                                                                                                                                           | 165 000            | -                  |
| Hygiene Services                                                                                                                                                                                                                                              | 1 830 579          | -                  |
| Internal Auditors                                                                                                                                                                                                                                             | 4 850 474          | 4 982 563          |
| Meter Management                                                                                                                                                                                                                                              | 2 420 307          | 1 951 843          |
| Medical Services [Medical Health Services & Support                                                                                                                                                                                                           | 1 200 000          | 1 480 457          |
| Security Services                                                                                                                                                                                                                                             | 15 370 938         | 15 515 768         |
| <b>Consultants and Professional Services</b>                                                                                                                                                                                                                  |                    |                    |
| Business and Advisory                                                                                                                                                                                                                                         | 23 425 770         | 25 548 448         |
| Infrastructure and Planning                                                                                                                                                                                                                                   | 8 022 249          | 1 238 873          |
| Legal Cost                                                                                                                                                                                                                                                    | 19 194 792         | 10 522 127         |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                            | 2021               | 2020               |
|--------------------------------------------|--------------------|--------------------|
| <b>38. Contracted services (continued)</b> |                    |                    |
| <b>Contractors</b>                         |                    |                    |
| Employee Wellness                          | 4 556 414          | 4 589 199          |
| Maintenance of Buildings and Facilities    | -                  | 980                |
| Maintenance of Equipment                   | 2 698 051          | 2 991 233          |
| Maintenance of other assets                | 68 033 770         | 44 572 665         |
|                                            | <b>168 029 272</b> | <b>123 010 067</b> |
| <b>39. General expenses</b>                |                    |                    |
| Cost of sales: Land                        | -                  | 1 500 000          |
| Advertising & publications                 | 4 402 325          | 8 862 715          |
| Bank charges                               | 1 526 125          | 1 411 486          |
| Consumables                                | 24 002 518         | 29 660 378         |
| Insurance                                  | 2 280 353          | 1 356 797          |
| Bursaries                                  | 137 028            | 2 361              |
| IT expenses                                | 345 598            | 314 185            |
| Levies                                     | 2 047 902          | 1 902 697          |
| Pre-paid electricity commission            | 3 950 882          | 2 874 626          |
| Ward committees allowances                 | 4 960 430          | 4 496 748          |
| Postage and courier                        | 38 480             | 38 569             |
| Motor Vehicle Licence & Registrations      | 917 569            | 414 235            |
| Workmens compensation                      | 4 643 313          | 1 984 722          |
| Subscriptions and membership fees          | 3 071 770          | 2 798 580          |
| Telephone and fax                          | 5 883 267          | 4 882 599          |
| Travel - local                             | 911 161            | 3 195 733          |
| Uniform expenses                           | 841 004            | 1 853 198          |
| Indigent policy                            | 1 484 386          | 2 154 901          |
| Special programmes                         | 33 379             | 351 234            |
| Other expenses                             | 2 937 372          | 26 775 119         |
|                                            | <b>64 414 862</b>  | <b>96 830 883</b>  |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                     | 2021               | 2020               |
|-----------------------------------------------------|--------------------|--------------------|
| <b>40. Cash generated from operations</b>           |                    |                    |
| Surplus                                             | 222 408 464        | 33 115 512         |
| <b>Adjustments for:</b>                             |                    |                    |
| Depreciation and amortisation                       | 126 159 761        | 120 952 423        |
| Impairment of non-cash generating assets            | 1 503 462          | 2 083 146          |
| Inventory adjustment                                | 422 633            | 2 154 893          |
| Gains/(losses) on property, plant & equipment       | -                  | 2 918 070          |
| Gains/(losses): Actuarial valuation                 | 6 726 046          | (18 521 399)       |
| Expected employee benefit vesting                   | (5 467 706)        | (3 831 174)        |
| Finance costs - Finance leases                      | 77 890             | 47 719             |
| Interest Cost: Actuarial valuation                  | 9 746 000          | 9 750 374          |
| Current Service Costs: Actuarial valuation          | 4 545 000          | 5 355 207          |
| Interest Cost: Provision for rehabilitation         | 2 401 179          | 322 686            |
| Reversal of impairment of receivables               | -                  | (30 091 632)       |
| Impairment of receivables                           | 54 958 048         | 52 861 997         |
| Increase/(decrease) in provision for employee costs | 4 797 553          | 5 292 337          |
| Increase/(decrease) in provision for landfill site  | 2 904 089          | 22 462 464         |
| <b>Changes in working capital:</b>                  |                    |                    |
| Inventories                                         | (2 196 650)        | (5 299 432)        |
| Sundry Debtors                                      | (27 136 002)       | (21 803 356)       |
| Receivables from non-exchange transactions          | (458 350)          | 17 143 733         |
| Consumer Debtors -Exchange transactions             | (69 415 656)       | (7 887 447)        |
| Consumer Debtors -Non- Exchange transactions        | (21 187 505)       | (4 809 694)        |
| Payables from exchange transactions                 | (12 187 675)       | 8 267 734          |
| VAT                                                 | (13 711 139)       | (5 469 683)        |
| Employee benefits                                   | 15 588 000         | 27 623 177         |
| Unspent conditional grants and receipts             | (10 487 434)       | 7 014 306          |
| Consumer deposits                                   | (537 931)          | 120 390            |
| Deferred Income                                     | 445                | 41 459             |
|                                                     | <b>289 452 522</b> | <b>219 813 810</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2021               | 2020               |
|----------------------------------------------------|--------------------|--------------------|
| <b>41. Commitments</b>                             |                    |                    |
| <b>Authorised capital expenditure</b>              |                    |                    |
| <b>Already contracted for but not provided for</b> |                    |                    |
| • Property, plant and equipment                    | 190 373 056        | 138 857 342        |
| <b>Total capital commitments</b>                   |                    |                    |
| Already contracted for but not provided for        | 190 373 056        | 138 857 342        |
| <b>Authorised operational expenditure</b>          |                    |                    |
| <b>Already contracted for but not provided for</b> |                    |                    |
| • Operational costs                                | 64 701 404         | 14 854 983         |
| <b>Total operational commitments</b>               |                    |                    |
| Already contracted for but not provided for        | 64 701 404         | 14 854 983         |
| <b>Total commitments</b>                           |                    |                    |
| <b>Total commitments</b>                           |                    |                    |
| Authorised capital expenditure                     | 190 373 056        | 138 857 342        |
| Authorised operational expenditure                 | 64 701 404         | 14 854 983         |
|                                                    | <b>255 074 460</b> | <b>153 712 325</b> |

This committed expenditure relates to plant and equipment and other operational costs. These commitments will be financed by available retained surpluses, internally generated funds and government grants. Commitment values are disclosed VAT inclusive.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 42. Contingencies

Litigations are in process against the municipality relating to a dispute with defendants in the following cases, should the judgement or ruling be in favour of the defendants the municipality will have to pay the estimated damages. The potential extent of the liability cannot be determined, since it is subject to litigation. The provisional estimate based on management assessment is R 116.9 million (2020 : R110.8 million). The merits must still be determined and could result in a lesser or greater amount.

#### Contingent Liabilities

|                                                                                                                                                                                                                                                |            |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| SGL Engineers CC Consulting: Outstanding payment for consultancy rendered during the construction of Mutsha Road [Case Number: 721/12 MAG. LTT]                                                                                                | 136 463    | 136 463    |
| Getrusburg CPA: Claim for compensation for extracting water without the consent of the land owner [Case Number: 55339/2011]                                                                                                                    | 28 484 000 | 28 484 000 |
| Matshavha Thapelo Jeffrey: Claim for damages due to pothole on a provincial road in Levubu area. [Case Number: 226/17]                                                                                                                         | 1 550 000  | 1 550 000  |
| Department of Water Affairs and Sanitation: The Municipality extract water from the Middle Letaba Waterval Bulk Supply Main (Majosi) without the consent of the Department as the water authority [Case Number: 3940/16]                       | 16 977 558 | 16 977 558 |
| Antoinette Albertus Geerds: Claim for unlawful arrest and defamation of character. [Case Number: 71357/12]                                                                                                                                     | 680 000    | 680 000    |
| Tshiamiso Trading: Claim for unpaid standing time invoices for Tender No: 67 of 2016. [Case Number: 2303/18]                                                                                                                                   | 2 000 000  | 2 000 000  |
| Tshiamiso Trading: Claim for unpaid standing time invoices for Tender No:61 of 2016. [Case Number: 2628/18]                                                                                                                                    | 5 425 414  | 5 425 414  |
| Tshiamiso Trading: Claim for unpaid standing time invoices. [Case Number: 4608/18]                                                                                                                                                             | 4 825 414  | 4 825 414  |
| Mleya Irene: Claim against Council, injury caused by pothole [Case number: 451/18]                                                                                                                                                             | 215 000    | 215 000    |
| Musa Mkhabele: Claim for damages[Case Number: 1082/18]                                                                                                                                                                                         | 60 000     | 60 000     |
| Tshihatu Tryphinah: Claim for damages[Case Number: 01/2019]                                                                                                                                                                                    | 120 000    | 120 000    |
| Mphephu Royal Council: Land dispute[Case Number: 635/2016]                                                                                                                                                                                     | 600 000    | 600 000    |
| Nengwekhulu Tshiwandalani Inc: Payment of outstanding amount. [Case Number: 1368/2018]                                                                                                                                                         | 600 000    | 600 000    |
| Tshifhiwa Jonathan Tambani: Plaintiff's child drowned in sewage drain[Case Number: 1305/2019]                                                                                                                                                  | 1 950 000  | 1 950 000  |
| Khulani Timber Industries: Plaintiff claiming settlement of amounts for service rendered. [Case Number: 970/2019]                                                                                                                              | 400 000    | 400 000    |
| MA Africa Party: Applicant filed an urgent application for council to be dissolved since it can not perform its service delivery functions. [Case Number: 742/2020]                                                                            | 1 200 000  | 1 200 000  |
| Zoutnet CC And Anton Jacobus Van Zyl: Applicants seeking and order to compel the municipality to disclose information regarding the award of tender [Case Number: 152/2020]                                                                    | 600 000    | 600 000    |
| Makhado Nancy and Estate Late Moses Makhado: Applicants seeking an order to reprimand the municipality with further construction at Tshakhuma market due to the alleged damage casued on the Applicant's billboard: [Case Number: CCT145/2020] | 1 000 000  | 1 000 000  |
| Agnes Munzhedzi Shandukani & others: Plaintiff is suing for losses suffered as a result of drowning of three minor children. [Case Number:559/2020]                                                                                            | 40 000 000 | 40 000 000 |
| Pandelani Isaac Mutshinyali: Plaintiff is claiming for money which he believes was due and payable to him as per settlement agreement. [Case Number:466/2020]                                                                                  | 300 000    | 300 000    |
| Voltex Pvt Ltd: Plaintiff is suing the Municipality for goods sold and delivered to the defendant. [Case Number: 4548/20]                                                                                                                      | 800 000    | -          |
| Avax SA 222 CC: Claims against the Municipality. [Case Number: 1064/20]                                                                                                                                                                        | 1 227 806  | -          |
| Murn Trading Enterprise CC: Claim for cancellation of tender by the Municipality. [Case Number:229/2021]                                                                                                                                       | 400 000    | -          |
| Mpho Aaron Mulaudzi: Claim against the municipality for the death of employee who was electrocuted in the Levubu area under Makhado Local Municipality. [Case Number: 1661/2020]                                                               | 700 000    | -          |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                     | 2021               | 2020               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>42. Contingencies (continued)</b>                                                                                                                |                    |                    |
| Landmark Pvt Ltd: Plaintiff is claiming for the amount which they paid their employees due to an increment imposed by PSIRA. [Case Number: 1506/21] | 2 450 424          | -                  |
| Lindelani Trading & Projects: Contract claims against council. [Case Number: 1370/2020]                                                             | -                  | -                  |
| Unlawful occupiers of portion 04 Makhado Farm [Case Number: 4549/2020]                                                                              | 1 200 000          | 1 200 000          |
| Tshikhuthula Peter Radebe: Court interdict to compel the municipality to give out information in terms of PAIA. [Case Number: 1596/2020]            | 500 000            | -                  |
| Land invasion at Vleifontein township                                                                                                               | 2 500 000          | 2 500 000          |
| Contour Technology (Pty) Ltd [The amount is impracticable to determine at the moment.]                                                              | -                  | -                  |
|                                                                                                                                                     | <b>116 902 079</b> | <b>110 823 849</b> |

### Contingent assets

Litigations is in process and the municipality is a plaintiff in the following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below. The provisional estimate based on management assessment is R 74.6 million (2020 : R74.6 million). The merits must still be determined and could result in a lesser or greater amount.

|                                                                                                        |                   |                   |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| VBS Mutual Bank [Recovery of investment in VBS Bank]                                                   | 62 734 416        | 62 734 416        |
| Tshiamiso Trading: Counter claim against the defendant due to undue enrichment. [Case Number: 3617/18] | 7 000 000         | 7 000 000         |
| Tshiamiso Trading: Counter claim against the defendant due to undue enrichment. [Case Number: 3617/18] | 4 825 414         | 4 825 414         |
|                                                                                                        | <b>74 559 830</b> | <b>74 559 830</b> |

### 43. Related parties

Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee members, Municipal Manager and Directors reporting directly to the Municipal Manager or as designated by the Municipal Manager.

|                                 |                  |
|---------------------------------|------------------|
| Relationships                   |                  |
| Accounting Officer              | Vacant           |
| Chief Financial Officer         | K.M Nemaname     |
| Director Community services     | Vacant           |
| Director Corporate Services     | Vacant 6         |
| Director Technical Services     | Vacant           |
| Director Planning & Development | Vacant           |
| Councillors                     | Refer to Note 32 |

No member of the Municipality's management has significant influence over the financial or operating policies of the Municipality. No business transactions took place between the Municipality and key management personnel.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions. Councillors are remunerated according to the Remuneration of Public Office Bearers Act 20 of 1998 and only have collective executive powers for planning, directing and controlling the activities of the Municipality.

### Related party transactions

#### Section 57 Managers and Councillors:

Refer to Note 31 for detail of remuneration paid to Section 57 Managers and to Note 32 for remuneration paid to Councillors.

#### Loans granted to related parties:

In terms of the MFMA the Municipality may not grant loans to its councillors, management, staff and public with effect from 01 March 2004.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 44. Prior-year adjustments

The comparatives have been restated to account for prior period errors. Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved:

#### Statement of financial position

##### 2019

|                                              | Note | As previously reported | Correction of error | Restated        |
|----------------------------------------------|------|------------------------|---------------------|-----------------|
| <b>Current Assets</b>                        |      |                        |                     |                 |
| Inventories                                  | 8    | 119 300 491            | 732 000             | 120 032 491     |
| Sundry debtors                               | 9    | 122 189                | 1                   | 122 190         |
| Receivables from non-exchange transactions   | 10   | 17 445 033             | -                   | 17 445 033      |
| Consumer debtors- Exchange transactions      | 11   | 41 636 170             | -                   | 41 636 170      |
| Consumer debtors- Non- Exchange transactions | 11   | 21 326 491             | (521 166)           | 20 805 325      |
| Cash and cash equivalents                    | 12   | 91 835 178             | -                   | 91 835 178      |
| <b>Non-current Assets</b>                    |      |                        |                     |                 |
| Investment property                          | 2    | 16 347 062             | -                   | 16 347 062      |
| Property, plant & equipment                  | 3    | 1 579 721 774          | 144 777             | 1 579 866 551   |
| Intangible assets                            | 4    | 1 776 588              | -                   | 1 776 588       |
| Heritage assets                              | 5    | 2 160 329              | -                   | 2 160 329       |
| <b>Current Liabilities</b>                   |      |                        |                     |                 |
| Employee benefit obligation                  | 7    | (4 203 547)            | -                   | (4 203 547)     |
| Finance lease obligation                     | 13   | (513 414)              | -                   | (513 414)       |
| Unspent conditional grants                   | 14   | (3 473 128)            | -                   | (3 473 128)     |
| Provisions                                   | 15   | (9 619 750)            | -                   | (9 619 750)     |
| Deferred income                              | 16   | (105 741)              | -                   | (105 741)       |
| Payables from exchange transactions          | 17   | (173 919 866)          | -                   | (173 919 866)   |
| VAT payable                                  | 18   | (29 237 771)           | -                   | (29 237 771)    |
| Consumer deposits                            | 19   | (16 529 177)           | -                   | (16 529 177)    |
| <b>Non-current liabilities</b>               |      |                        |                     |                 |
| Employee benefit obligation                  | 7    | (102 559 445)          | -                   | (102 559 445)   |
| Finance lease obligation                     | 13   | (183 118)              | -                   | (183 118)       |
| Provisions                                   | 15   | (3 713 303)            | -                   | (3 713 303)     |
| Accumulated surplus                          |      | (1 547 613 045)        | (355 612)           | (1 547 968 657) |
|                                              |      | -                      | -                   | -               |

##### 2020

|                                              | Note | As previously reported | Correction of error | Restated      |
|----------------------------------------------|------|------------------------|---------------------|---------------|
| <b>Current Assets</b>                        |      |                        |                     |               |
| Inventories                                  | 8    | 125 401 723            | (69 800)            | 125 331 923   |
| Sundry debtors                               | 9    | 21 551 671             | 373 875             | 21 925 546    |
| Receivables from non-exchange transactions   | 10   | 302 800                | (1 500)             | 301 300       |
| Consumer debtors- Exchange transactions      | 11   | 49 523 617             | -                   | 49 523 617    |
| Consumer debtors- Non- Exchange transactions | 11   | 25 615 019             | -                   | 25 615 019    |
| Cash and cash equivalents                    | 12   | 143 651 586            | -                   | 143 651 586   |
| <b>Non-current Assets</b>                    |      |                        |                     |               |
| Investment property                          | 2    | 15 965 284             | -                   | 15 965 284    |
| Property, plant & equipment                  | 3    | 1 578 483 665          | (33 045)            | 1 578 450 620 |
| Intangible assets                            | 4    | 2 117 659              | -                   | 2 117 659     |
| Heritage assets                              | 5    | 2 160 329              | -                   | 2 160 329     |
| <b>Current Liabilities</b>                   |      |                        |                     |               |
| Employee benefit obligation                  | 7    | (4 922 000)            | -                   | (4 922 000)   |
| Finance lease obligation                     | 13   | (183 118)              | -                   | (183 118)     |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                               |    | 2021            | 2020        |
|-----------------------------------------------|----|-----------------|-------------|
| <b>44. Prior-year adjustments (continued)</b> |    |                 |             |
| Unspent conditional grants                    | 14 | (10 487 434)    | -           |
| Provisions                                    | 15 | (2 000 000)     | -           |
| Deferred income                               | 16 | (147 200)       | -           |
| Payables from exchange transactions           | 17 | (181 948 221)   | (239 379)   |
| VAT payable                                   | 18 | (29 079 617)    | 5 311 529   |
| Consumer deposits                             | 19 | (16 566 522)    | -           |
| <b>Non-current liabilities</b>                |    |                 |             |
| Employee benefit obligation                   | 7  | (94 594 000)    | -           |
| Provisions                                    | 15 | (38 237 777)    | -           |
| Accumulated surplus                           |    | (1 586 607 464) | (5 341 680) |
|                                               |    | -               | -           |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                           |      | 2021                   | 2020                |                   |               |
|-------------------------------------------|------|------------------------|---------------------|-------------------|---------------|
| 44. Prior-year adjustments (continued)    |      |                        |                     |                   |               |
| Statement of financial performance        |      |                        |                     |                   |               |
| 2020                                      |      |                        |                     |                   |               |
|                                           | Note | As previously reported | Correction of error | Re-classification | Restated      |
| Revenue                                   |      |                        |                     |                   |               |
| Service charges                           | 21   | 362 565 484            | -                   | -                 | 362 565 484   |
| Rental of facilities & equipment          | 22   | 381 680                | -                   | -                 | 381 680       |
| Interest received- outstanding debtors    | 26   | 21 700 729             | -                   | -                 | 21 700 729    |
| Licences & permits                        |      | 4 055 180              | -                   | -                 | 4 055 180     |
| Other income                              | 27   | 60 674 126             | -                   | (3 740 577)       | 56 933 549    |
| Agency income                             | 24   | -                      | -                   | 3 740 577         | 3 740 577     |
| Interest received- financial institutions | 28   | 6 980 644              | -                   | -                 | 6 980 644     |
| Property rates                            | 29   | 81 250 406             | -                   | -                 | 81 250 406    |
| Government grants & subsidies             | 30   | 465 759 695            | -                   | -                 | 465 759 695   |
| Fines, penalties & forfeits               | 23   | 4 507 613              | (3 032 149)         | -                 | 1 475 464     |
| Expenditure                               |      |                        |                     |                   |               |
| Employee related costs                    | 31   | (268 232 231)          | -                   | -                 | (268 232 231) |
| Remuneration of councillors               | 32   | (26 436 244)           | -                   | -                 | (26 436 244)  |
| Depreciation & amortisation               | 33   | (120 953 422)          | 998                 | -                 | (120 952 424) |
| Impairment of non-cash generating assets  | 34   | (2 083 146)            | -                   | -                 | (2 083 146)   |
| Finance costs                             | 35   | (10 158 943)           | -                   | -                 | (10 158 943)  |
| Debt Impairment                           | 36   | (61 163 641)           | 8 301 644           | -                 | (52 861 997)  |
| Bulk purchases                            | 37   | (268 243 892)          | -                   | -                 | (268 243 892) |
| Contracted services                       | 38   | (122 955 350)          | (54 717)            | -                 | (123 010 067) |
| General expenses                          | 39   | (96 957 487)           | 126 604             | -                 | (96 830 883)  |
| Loss on transfer of functions             |      | (2 918 070)            | -                   | -                 | (2 918 070)   |
| Surplus for the year                      |      | 27 773 131             | 5 342 380           | -                 | 33 115 511    |

### Errors

The following prior period errors adjustments occurred:

#### Error 1

##### Traffic Fines:

In the previous financial year, traffic fines debtors was misstated. The error was identified during the audit of receivables from non-exchange transactions. The following is the effect of the adjustment:

##### Financial Statement Areas

|                                                                 |             |
|-----------------------------------------------------------------|-------------|
| Decrease in Receivables from non-exchange transactions [SFP]    | (1 500)     |
| Decrease in Accumulated surplus [SCE]                           | 700         |
| Decrease in Revenue from non-exchange transactions [SCI]        | 800         |
| Decrease in Revenue from non-exchange transactions [SCI] [2019] | 2 332 860   |
| Decrease in impairment of traffic fines [SCI] [2019]            | (2 332 860) |
| Decrease in Revenue from non-exchange transactions [SCI] [2020] | 411 350     |
| Decrease in impairment of traffic fines [SCI] [2020]            | (411 350)   |
| Decrease in Revenue from non-exchange transactions [SCI] [2019] | 3 462 296   |
| Decrease in impairment of traffic fines [SCI] [2019]            | (3 462 296) |
| Decrease in Revenue from non-exchange transactions [SCI] [2020] | 2 620 000   |
| Decrease in impairment of traffic fines [SCI] [2020]            | (2 620 000) |
|                                                                 | -           |

##### Land Inventory:

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

In the previous year, owner occupied land was included as part of the land stock, resulting in the overstatement of the land inventory balance and understatement of the Property, plant and equipment. The error was subsequently identified and corrected in the current financial year. The following is the effect of the adjustment:

#### Financial Statement Areas

|                                  |          |
|----------------------------------|----------|
| Increase in Land -PPE [SFP]      | 69 800   |
| Decrease in Land inventory [SFP] | (69 800) |
|                                  | -        |

### Error 2

#### Value Added Tax:

In the previous financial year, VAT was misstated. In some instances, VAT was claimed on Afrimed Business Solutions, whilst the company is not registered for VAT purposes. In other instances, VAT was not claimed on SASFIN despite the fact that the supplier is VAT registered. These errors were identified during the 2019/20 financial statement audit. The following is effect of the correction:

Furthermore, during the calculation of impairment management erroneously included the VAT portion of R5 270 294 in debt impairment in contravention of mSCOA Circular No 12. The error was subsequently identified and corrected.

#### Financial Statement Areas

|                                            |             |
|--------------------------------------------|-------------|
| Increase in Expenditure [SCI]              | 54 717      |
| Decrease in Input VAT [SFP]                | (54 717)    |
| Decrease in Expenditure [SCI]              | (143 726)   |
| Increase in Input VAT [SFP]                | 143 726     |
| Decrease in Consumer Debt Impairment [SCI] | (5 270 294) |
| Decrease in VAT payable [SFP]              | 5 270 294   |
|                                            | -           |

### Error 3

#### Sundry Debtors:

##### Termination payouts

In the previous financial year, the municipality used an incorrect payout rate when calculating termination payouts for employees who resigned during the year. This resulted in terminated employees being overpaid. The error was identified during the audit and subsequently corrected in the current year. The following is the effect of the correction:

##### Indigent subsidy

In the previous financial year, there was incorrect billing of the indigents. The error was subsequently identified and corrected in the current financial year.

#### Financial Statement Areas

|                                       |           |
|---------------------------------------|-----------|
| Increase in Sundry Debtors [SFP]      | 6 228     |
| Increase in Provision for Leave [SFP] | (6 228)   |
| Increase in Sundry Debtors [SFP]      | 367 647   |
| Increase in VAT payable [SFP]         | (47 954)  |
| Decrease in Expenditure [SCI]         | (319 693) |
|                                       | -         |

### Error 4

#### Accounts Payable

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

#### Retention:

In the previous financial year, the municipality omitted to include VAT amount of R15 755.73 on a project cost. Therefore, the calculated retention on the project was understated by the VAT amount. The error was identified during the current year and subsequently corrected. The following is the effect of the correction:

#### Trade creditors:

In the previous financial year, the municipality omitted to include invoices for services rendered before 30 June 2020 from Mulaudzi Transport Service amounting to R9,144 as well as Vodacom amounting to R327, 671.78. Therefore, the Creditors Listing was understated by the combined amount. The error was identified during the current year and subsequently corrected. The following is the effect of the correction:

#### Financial Statement Areas

|                                            |           |
|--------------------------------------------|-----------|
| Increase in retention [SFP]                | (15 756)  |
| Decrease in VAT Payable [SFP]              | 15 756    |
| Increase in trade creditors [SFP]          | (336 816) |
| Increase in telephone expenses [SCI]       | 327 672   |
| Increase in advertising expenses [SCI]     | 9 144     |
| Decrease in Accumulated Depreciation [SFP] | 999       |
| Decrease in Depreciation [SCI]             | (999)     |
| Decrease in Accounts Payable [SFP]         | 119 420   |
| Decrease in PPE [SFP]                      | (103 844) |
| Increase in VAT Payable [SFP]              | (15 576)  |
|                                            | -         |

#### Disclosures

The following Annual Financial Statements disclosures were incorrectly disclosed in the previous financial year and subsequently corrected in the current financial period:

#### Contingent Liabilities:

Litigation against the Municipality by Tshiamiso Trading under Case Number: 3617/2018 for an amount of **R7 000 000** and Case Number: 4608/2018 for an amount of **R4 825 414**, were erroneously excluded in the AFS in the previous financial year. The error was identified and corrected in the current financial year.

Legal costs expected to be incurred with regards to litigation against illegal occupiers of portion 4 of Makhado Farm amounting to **R1 200 000** and Vleifontein amounting to **R2 500 000** was incorrectly disclosed as Contingent assets in the previous financial period. The error was identified and corrected in the current financial year. The amounts have subsequently been disclosed correctly as Contingent Liabilities in the current financial year.

#### Irregular Expenditure:

|                                                |                |
|------------------------------------------------|----------------|
| Opening balance: 01 July 2019                  | 666 299        |
| Adjustments:                                   | -              |
| - Award to person in service of State          | 13 180         |
| - Payments to Abnar Trading [CoMAF 05 of 2019] | (641)          |
| Restated opening balance: 01 July 2019         | 678 838        |
| Adjustments:                                   | -              |
| - Insurance contract: bid 32 of 2017           | (4 027 147)    |
| Irregular expenditure - current year           | 6 333 963      |
| Written-off by Council                         | (2 280 456)    |
| <b>Restated opening balance: 01 July 2020</b>  | <b>705 198</b> |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure - made to a person in the service of state in the 30 June 2019 financial statements, as it was subsequently noted that the person was awarded a contract while in the service of state.

Further adjustment to the opening balance of irregular expenditure is as a result of conclusive investigation and gathering of evidence pertaining to Lateral Unison Insurance Brokers contract, where, during the audit, the auditors had concluded that an amount of R4 027 147 was irregular expenditure. Subsequent investigation and evidence gathering proved to the contrary, therefore, adjustment of the 30 June 2020 opening balance.

The total irregular payments to Abnar Trading were incorrectly stated as R707 800 in the 2018/19 financial statements instead of R707 160. The error was subsequently corrected in the current year.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

#### Unauthorised expenditure

|                                 |                   |
|---------------------------------|-------------------|
| Opening balance                 | 60 502 276        |
| Adjustments made                | 17 616 933        |
| <b>Restated opening balance</b> | <b>78 119 209</b> |

Adjustment made to opening balance of unauthorised expenditure is due to the increase in impairment of receivables from non-exchange transactions of R17 616 933 identified during the 2019/20 financial statements audit.

#### Accounting by principals and agents

In the previous financial year, the municipality did not disclose the note for accounting for principals and agents. The error was identified, corrected and disclosed in Note 55 to the annual financial statements as follows:

Makhado Local Municipality is a party to a principal-agent arrangement. Details of the arrangement is as follows:

#### Makhado Local Municipality as agent and Limpopo Transport as a principal

The agreement requires the municipality to perform all the registering and testing function on behalf of the department which consist of licensing, driving licence test centre functions and vehicle test station functions. Makhado Local Municipality is an agent to the agreement as they are only entitled to commission amount and deposits all the net amount received for services rendered to the provincial department of transport.

The significant terms and conditions of the arrangement is that the municipality is entitled to 20% commission and Limpopo Department of Transport is entitled to 80% of the licence and permits fees. There are no significant risks associated with the transaction and no changes occurred during the reporting period.

#### Revenue recognised:

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 3 740 577 (2019: 3 195 126).

#### Amounts paid to Limpopo Department of Transport:

In the financial year ended 30 June 2020, the municipality paid R 14 508 511 over to the Department of Transport.

#### Reclassifications

The following reclassifications were made in terms of GRAP in the previous financial year:

#### Reclassification 1

#### Agency Income:

During the financial year ended 30 June 2020, commission of R3 740 577 from the Department of Transport for vehicle registration & licencing was erroneously classified as Other income. The misclassification was subsequently identified and corrected in the current financial year. The effect of the correction is as follows:

#### Financial Statement Area

|                                       |             |
|---------------------------------------|-------------|
| Increase in Agency income [SCI]       | (3 740 577) |
| Decrease in Other Income [SCI]        | 3 740 577   |
| Decrease in Accumulated surplus [SCE] | 253 170     |
|                                       | <b>-</b>    |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 45. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks namely market risk (including currency risk, fair value, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Council has the overall responsibility for the determination of the municipality's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The municipality's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipality's competitiveness and flexibility.

#### Liquidity risk

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

| At 30 June 2021                     | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years |
|-------------------------------------|---------------------|--------------------------|--------------------------|
| Finance lease liability             | (686 149)           | -                        | (1 057 797)              |
| Payables from exchange transactions | (169 994 693)       | -                        | -                        |
| Consumer deposits                   | (16 028 591)        | -                        | -                        |
| Employee benefit obligation         | (6 386 000)         | -                        | (108 718 000)            |
| Provisions                          | (3 000 000)         | -                        | (40 141 866)             |
| Deferred Income                     | (147 645)           | -                        | -                        |
| At 30 June 2020                     | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years |
| Finance lease liability             | (183 118)           | -                        | -                        |
| Payables from exchange transactions | (182 187 600)       | -                        | -                        |
| Consumer deposits                   | (16 566 522)        | -                        | -                        |
| Employee benefit obligation         | (4 922 000)         | -                        | (94 594 000)             |
| Provisions                          | (2 000 000)         | -                        | (38 237 777)             |
| Deferred Income                     | (147 200)           | -                        | -                        |

#### 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. This risk arises due to changes in the financial circumstances of the counter party and other factors subsequent to the municipality obtaining the financial asset.

Sundry debtors, receivables from non-exchange transactions, consumer debtors and consumer deposits comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. 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 management. The utilisation of credit limits is regularly monitored.

There have been no material change in credit risk exposure by the municipality from the previous year. Financial assets exposed to credit risk at year end were as follows:

| Financial instrument                        | 2021        | 2020        |
|---------------------------------------------|-------------|-------------|
| Sundry Debtors                              | 49 061 548  | 21 925 546  |
| Receivables from non-exchange transactions  | 759 650     | 301 300     |
| Consumer debtors -exchange transactions     | 118 939 273 | 49 523 617  |
| Consumer debtors -Non-exchange transactions | 46 802 524  | 25 615 019  |
| Cash and cash equivalents                   | 205 781 208 | 143 651 586 |

#### Market risk

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 45. Risk management (continued)

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality charge the interest rate of 15% on the outstanding customer accounts. For quantitative information on cash flow interest rate risk refer to liquidity risk above.

### 46. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of 1 814 104 438 and that the municipality's total assets exceed its liabilities by 1 814 104 438.

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

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

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 47. Events after the reporting date

The following events occurred between the end of the reporting period 30 June 2021 and the date that the financial statements are authorised for issue:

#### Disposal of fixed assets

During the current financial year, the municipality initiated the process of de-recognizing items of property, plant & equipment where future economic benefits are no longer expected to be derived from their continued use. The fixed assets to be derecognised were identified for de-recognition during the verification process. Approval for disposal was obtained for the municipality council on 31 August 2021. The municipality is still in control of the below listed assets as at financial year-end despite the fact that these assets are no longer usable in the day to day operations to achieve service delivery objectives. The assets were not removed from the fixed assets register as at end of reporting period as the approval was only obtained after end of reporting date.

The following categories of property, plant & equipment with the carrying values shown are still in the possession of the municipality as at year - end:

|                          |         |         |
|--------------------------|---------|---------|
| Transport assets         | 9 449   | 672 354 |
| Machinery and equipment  | 109 926 | 468 996 |
| Computer equipment       | 264 642 | 174 199 |
| Furniture and equipments | -       | 120 495 |
| Buildings                | 99 018  | -       |
| Community assets         | 1 950   | -       |
| Infrastructure roads     | 952 193 | -       |

|                                                                                                                                             |           |           |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| The estimated fair value of the asset to be distributed as of the end of the reporting period [if it is different from its carrying amount] | 1 437 178 | 1 436 044 |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|

#### Missing items of Property, plant & equipment:

Subsequent to financial year ended 30 June 2021, management discovered that certain items of property, plant and equipment with net book value of **R1 920 406** were missing. A report was lodged with the local SAPS and investigations are in progress and once completed, will be reported to council.

#### National Lockdown due to COVID-19 Pandemic:

Since 30 June 2021, the spread of COVID-19 and subsequent implementation of the National Lockdown, in terms of section 27(2) of the Disaster Management Act of 2002, has severely impacted the South African economy. Businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses countrywide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Government and central bank have responded with monetary and fiscal interventions to stabilise economic conditions.

The municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 June 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains in progress at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the municipality for future periods.

#### Unauthorised Expenditure:

Subsequent to financial year ended 30 June 2021, management sought approval from Council for write - off of unauthorised expenditure amounting to R78 119 209. On 31 August 2021, the council approved the write - off of the amount.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                            | 2021              | 2020              |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>48. Unauthorised expenditure</b>                                                                                        |                   |                   |
| Opening balance as previously reported                                                                                     | 78 119 209        | 84 406 344        |
| <b>Opening balance as restated</b>                                                                                         | <b>78 119 209</b> | <b>84 406 344</b> |
| Add: Expenditure identified - current                                                                                      | -                 | 78 119 209        |
| Less: Approved/condoned/authorised by council                                                                              | (78 119 209)      | (84 406 344)      |
| <b>Closing balance</b>                                                                                                     | <b>-</b>          | <b>78 119 209</b> |
| <b>The over expenditure incurred by municipal departments during the year is attributable to the following categories:</b> |                   |                   |
| Non-cash                                                                                                                   | -                 | 78 119 209        |
| <b>Analysed as follows: non-cash</b>                                                                                       |                   |                   |
| Depreciation and amortisation                                                                                              | -                 | 45 207 422        |
| Impairment of property, plant and equipment                                                                                | -                 | 2 083 146         |
| Debt impairment                                                                                                            | -                 | 30 828 641        |
|                                                                                                                            | <b>-</b>          | <b>78 119 209</b> |
| <b>49. Fruitless and wasteful expenditure</b>                                                                              |                   |                   |
| Opening balance as previously reported                                                                                     | 199 038           | 4 989             |
| <b>Opening balance as restated</b>                                                                                         | <b>199 038</b>    | <b>4 989</b>      |
| Add: Expenditure identified - current                                                                                      | 880               | 232 213           |
| Less: Amount written off - current                                                                                         | -                 | (38 164)          |
| <b>Closing balance</b>                                                                                                     | <b>199 918</b>    | <b>199 038</b>    |
| <b>50. Irregular expenditure</b>                                                                                           |                   |                   |
| Opening balance as previously reported                                                                                     | 705 198           | 666 299           |
| Correction of prior period error                                                                                           | -                 | 12 539            |
| <b>Opening balance as restated</b>                                                                                         | <b>705 198</b>    | <b>678 838</b>    |
| Add: Irregular Expenditure - current                                                                                       | -                 | 6 333 963         |
| Less: Amounts incorrectly disclosed                                                                                        | -                 | (4 027 147)       |
| Less: Amount written off - current                                                                                         | -                 | (2 280 456)       |
| Less: Amount written off - prior period                                                                                    | (625 670)         | -                 |
| <b>Closing balance</b>                                                                                                     | <b>79 528</b>     | <b>705 198</b>    |
| <b>51. Additional disclosure in terms of Municipal Finance Management Act</b>                                              |                   |                   |
| <b>Subscription fees</b>                                                                                                   |                   |                   |
| Current year subscription / fee                                                                                            | 3 071 770         | 2 798 580         |
| Amount paid - current year                                                                                                 | (3 071 770)       | (2 798 580)       |
|                                                                                                                            | <b>-</b>          | <b>-</b>          |

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

#### Distribution Losses

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| <b>Kilowatts Hours</b>           |                   |                   |
| Units Purchased                  | 225 129 763       | 234 043 193       |
| Units Sold                       | (201 007 016)     | (210 543 963)     |
| <b>Distribution Loss (Units)</b> | <b>24 122 747</b> | <b>23 499 230</b> |
| <b>Rand Values</b>               |                   |                   |
| Electricity                      | 29 531 721        | 26 933 169        |
|                                  | <b>29 531 721</b> | <b>26 933 169</b> |

Distribution losses for electricity relates to unaccounted for electricity. This mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. During the year 24 122 747 (2020: 23 499 230) kilowatts per hour were lost. This represented 11% (2020: 10%) of the electricity purchases for the year, which has been included in bulk purchases. An average price per kilowatt hour of R1.2 (2020: R1,15) was used.

#### Audit fees

|                            |             |             |
|----------------------------|-------------|-------------|
| Current year fee           | 6 917 496   | 5 319 540   |
| Amount paid - current year | (6 917 496) | (5 319 540) |
|                            | -           | -           |

#### PAYE and UIF

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year amount - Employer  | 1 089 189    | 1 003 225    |
| Current year amount - Employees | 47 741 234   | 42 865 371   |
| Amount paid - current year      | (48 830 423) | (43 868 596) |
|                                 | -            | -            |

#### Pension and Medical Aid Deductions

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Current year amount - Employer  | 49 709 086   | 48 975 876   |
| Current year amount - Employees | 26 110 295   | 21 322 457   |
| Amount paid - current year      | (75 819 381) | (70 298 333) |
|                                 | -            | -            |

#### VAT

|             |            |            |
|-------------|------------|------------|
| VAT payable | 10 056 949 | 23 768 088 |
|-------------|------------|------------|

VAT output payables and VAT input receivables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

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

#### Councillors' arrear consumer accounts

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

| 30 June 2021 | Outstanding<br>less than 90<br>days | Outstanding<br>more than 90<br>days | Total         |
|--------------|-------------------------------------|-------------------------------------|---------------|
| Babadu T.M   | 387                                 | 7 142                               | 7 529         |
| Babadu T.M   | 1 214                               | 804                                 | 2 018         |
| Jones NB     | 88                                  | 1 929                               | 2 017         |
| Matumba A    | 451                                 | 9 651                               | 10 102        |
| Matumba A    | 613                                 | 1 321                               | 1 934         |
|              | <b>2 753</b>                        | <b>20 847</b>                       | <b>23 600</b> |
| 30 June 2020 | Outstanding<br>less than 90<br>days | Outstanding<br>more than 90<br>days | Total         |
| Babadu T.M   | 350                                 | 5 673                               | 6 023         |
| Babadu T.M   | 1 163                               | 772                                 | 1 935         |
| Jones NB     | 81                                  | 1 596                               | 1 677         |
| Matumba A    | 270                                 | 2 950                               | 3 220         |
| Matumba A    | 416                                 | 7 924                               | 8 340         |
| Matumba A    | 801                                 | 10 704                              | 11 505        |
| Simangwe NJ  | 1 183                               | 773                                 | 1 956         |
|              | <b>4 264</b>                        | <b>30 392</b>                       | <b>34 656</b> |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

| 30 June 2021 | Highest<br>outstanding<br>amount | Aging<br>(in days) |
|--------------|----------------------------------|--------------------|
| Babadu T.M   | 7 142                            | 90                 |
| Babadu T.M   | 804                              | 90                 |
| Jones NB     | 1 929                            | 90                 |
| Matumba A    | 9 651                            | 90                 |
| Matumba A    | 1 321                            | 90                 |
|              | <b>20 847</b>                    | <b>450</b>         |
| 30 June 2020 | Highest<br>outstanding<br>amount | Aging<br>(in days) |
| Babadu T.M   | 5 673                            | 90                 |
| Babadu T.M   | 772                              | 90                 |
| Jones NB     | 1 596                            | 90                 |
| Matumba A    | 2 950                            | 90                 |
| Matumba A    | 7 924                            | 90                 |
| Matumba A    | 10 704                           | 90                 |
| Simangwe NJ  | 773                              | 90                 |
|              | <b>30 392</b>                    | <b>630</b>         |

### 52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix C for the comparison of actual operating expenditure versus budgeted expenditure.

# MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|-----------------|------|------|
|-----------------|------|------|

### 53. Deviation from supply chain management regulations

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

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

The following is the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Quotation deviations for the 2020/21 financial year in terms of the Supply Chain Management Regulations amounted to R 3 225 347 [2020: R4 042 726].

| Period    |                  |                  |
|-----------|------------------|------------------|
| Quarter 1 | 1 539 098        | 622 961          |
| Quarter 2 | 611 682          | 2 033 354        |
| Quarter 3 | 541 485          | 1 078 889        |
| Quarter 4 | 533 082          | 307 522          |
|           | <b>3 225 347</b> | <b>4 042 726</b> |

### 54. Key Assumptions and Estimates Used

The key assumptions and estimates used are as follows: (1) Long Service Award: A number of valuation variables were used. Should these valuation assumptions be different from the actual variables, the provision for Long Service Award may be different from the one disclosed. (2) Post Retirement Medical Aid Benefit Obligation: By its nature, estimating the Post Retirement Medical Aid Benefit requires use of estimates and significant judgement. This was the case in the computation of the relevant obligation.

### 55. Accounting by principals and agents

Makhado Local Municipality is a party to a principal-agent arrangement.

#### Details of the arrangement are as follows:

Makhado Local Municipality as agent and Limpopo Department of Transport as a principal.

The agreement requires the municipality to perform all the registering and testing function on behalf of the department which consist of licensing, driving licence test centre functions and vehicle test station functions. Makhado Local Municipality is an agent to the agreement as they are only entitled to commission amount and deposits all the net amount received for services rendered to the provincial department of transport.

The significant terms and conditions of the arrangement is that the municipality is entitled to 20% commission and Limpopo Department of Transport is entitled to 80% of the licence and permits fees. There are no significant risks associated with the transaction and no changes occurred during the reporting period.

#### Revenue recognised:

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 4 084 953 (2020: 3 740 577).

There were no expenses paid or accrued on behalf of Limpopo Department of Transport.

#### Amounts paid to Limpopo Department of Transport:

In the financial year ended 30 June 2021, the municipality paid R 18 185 908 (2020: R 14 508 511) over to the Department of Transport.

MAKHADO LOCAL MUNICIPALITY

Appendix B

June 2021

Analysis of property, plant and equipment as at 30 June 2020  
Cost/Revaluation Accumulated depreciation

| Opening Balance |  | Correction of prior year error | Transfer to PPE |   | Additions |            | Transfers to Expenditure |   | Disposals |              | Closing Balance |               | Correction of prior year error |   | Opening balance |               | Disposals |   | Impairment |   | Closing Balance |              | Carrying value |               |
|-----------------|--|--------------------------------|-----------------|---|-----------|------------|--------------------------|---|-----------|--------------|-----------------|---------------|--------------------------------|---|-----------------|---------------|-----------|---|------------|---|-----------------|--------------|----------------|---------------|
| Rand            |  |                                | Rand            |   | Rand      |            | Rand                     |   | Rand      |              | Rand            |               | Rand                           |   | Rand            |               | Rand      |   | Rand       |   | Rand            |              | Rand           |               |
| 213 606 951     |  | -                              | -               | - | -         | -          | -                        | - | -         | (3 024 000)  |                 | 210 582 951   |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | 210 582 951   |
| 23 256 682      |  | -                              | -               | - | -         | -          | -                        | - | -         | -            |                 | 23 256 682    |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | 23 256 682    |
| 2 734 002       |  | -                              | -               | - | -         | 546 343    | -                        | - | -         | -            |                 | 3 280 345     |                                | - | -               | (289 340)     | -         | - | -          | - | -               | (392 611)    | -              | 2 887 734     |
| -               |  | -                              | -               | - | -         | -          | -                        | - | -         | -            |                 | -             |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | -             |
| 34 168 728      |  | -                              | -               | - | -         | 3 577 155  | -                        | - | -         | -            |                 | 37 745 883    |                                | - | -               | (15 137 878)  | -         | - | -          | - | -               | (16 417 646) | -              | 21 328 237    |
| 273 766 363     |  | -                              | -               | - | -         | 4 123 498  | -                        | - | -         | (3 024 000)  |                 | 274 865 861   |                                | - | -               | (15 427 218)  | -         | - | -          | - | -               | (16 810 257) | -              | 258 055 604   |
|                 |  |                                |                 |   |           |            |                          |   |           |              |                 |               |                                |   |                 |               |           |   |            |   |                 |              |                |               |
| 1 009 321 056   |  | -                              | -               | - | -         | 18 890 065 | -                        | - | -         | -            |                 | 1 028 211 121 |                                | - | -               | (551 892 661) | -         | - | -          | - | -               | (84 927)     | (597 857 915)  | 430 353 206   |
| 1 176 004 602   |  | -                              | -               | - | -         | 9 514 549  | -                        | - | -         | -            |                 | 1 185 519 151 |                                | - | -               | (462 768 668) | -         | - | -          | - | -               | (1 819 717)  | (522 844 109)  | 662 675 042   |
| 25 016 312      |  | -                              | -               | - | -         | 2 894 571  | -                        | - | -         | -            |                 | 27 910 883    |                                | - | -               | (8 229 388)   | -         | - | -          | - | -               | (9 247 996)  | -              | 18 662 887    |
| -               |  | -                              | -               | - | -         | -          | -                        | - | -         | -            |                 | -             |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | -             |
| -               |  | -                              | -               | - | -         | -          | -                        | - | -         | -            |                 | -             |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | -             |
| -               |  | -                              | -               | - | -         | -          | -                        | - | -         | -            |                 | -             |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | -             |
| -               |  | -                              | -               | - | -         | -          | -                        | - | -         | -            |                 | -             |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | -             |
| 2 210 341 970   |  | -                              | -               | - | -         | 31 299 185 | -                        | - | -         | -            |                 | 2 241 641 155 |                                | - | -               | 1 022 890 717 | -         | - | -          | - | -               | (1 904 644)  | 1 129 950 020  | 1 111 691 135 |
|                 |  |                                |                 |   |           |            |                          |   |           |              |                 |               |                                |   |                 |               |           |   |            |   |                 |              |                |               |
| 34 986 120      |  | -                              | -               | - | -         | 17 597 134 | -                        | - | -         | (6 426 081)  |                 | 46 157 173    |                                | - | -               | (21 807 822)  | -         | - | -          | - | -               | (55 555)     | (20 170 413)   | 25 986 760    |
| 12 846 600      |  | -                              | -               | - | -         | 1 128 398  | -                        | - | -         | (973 657)    |                 | 13 001 341    |                                | - | -               | (8 301 381)   | -         | - | -          | - | -               | (63 060)     | (9 228 781)    | 3 772 557     |
| 6 550 008       |  | -                              | -               | - | -         | 2 529 364  | -                        | - | -         | (1 044 648)  |                 | 8 034 724     |                                | - | -               | (4 234 522)   | -         | - | -          | - | -               | (21 465)     | (4 338 819)    | 3 695 905     |
| 38 016 199      |  | -                              | -               | - | -         | 17 158 625 | -                        | - | -         | (5 259 455)  |                 | 49 915 369    |                                | - | -               | (20 350 169)  | -         | - | -          | - | -               | (38 420)     | (19 191 108)   | 30 724 261    |
| -               |  | -                              | -               | - | -         | -          | -                        | - | -         | -            |                 | -             |                                | - | -               | -             | -         | - | -          | - | -               | -            | -              | -             |
| 92 398 927      |  | -                              | -               | - | -         | 38 413 521 | -                        | - | -         | (13 703 841) |                 | 117 108 607   |                                | - | -               | (54 693 894)  | -         | - | -          | - | -               | (178 500)    | (52 929 121)   | 64 179 483    |

# MAKHADO LOCAL MUNICIPALITY

## Appendix B

June 2021

### Analysis of property, plant and equipment as at 30 June 2020 Cost/Revaluation Accumulated depreciation

|                                   | Opening Balance   | Correction of prior year error | Transfer to PPE     | Additions         | Transfers to Expenditure | Disposals        | Closing Balance   | Opening balance     | Correction of prior year error | Additions          | Disposals | Impairment | Closing Balance     | Carrying value    |
|-----------------------------------|-------------------|--------------------------------|---------------------|-------------------|--------------------------|------------------|-------------------|---------------------|--------------------------------|--------------------|-----------|------------|---------------------|-------------------|
|                                   | Rand              | Rand                           | Rand                | Rand              | Rand                     | Rand             | Rand              | Rand                | Rand                           | Rand               | Rand      | Rand       | Rand                | Rand              |
| <b>Work In Progress</b>           | -                 | -                              | -                   | -                 | -                        | -                | -                 | -                   | -                              | -                  | -         | -          | -                   | -                 |
| Land and Buildings                | 2 917 999         | -                              | (4 215 284)         | 5 513 620         | (1 071 632)              | (966 525)        | 2 178 178         | -                   | -                              | -                  | -         | -          | -                   | 2 178 178         |
| Infrastructure                    | 28 233 071        | -                              | (31 311 244)        | 75 913 315        | (6 502 319)              | -                | 66 332 823        | -                   | -                              | -                  | -         | -          | -                   | 66 332 823        |
| Community                         | 10 407 804        | -                              | (120 000)           | 13 638 889        | -                        | -                | 23 926 493        | -                   | -                              | -                  | -         | -          | -                   | 23 926 493        |
|                                   | <b>41 558 874</b> | <b>-</b>                       | <b>(35 646 528)</b> | <b>95 065 824</b> | <b>(7 573 951)</b>       | <b>(966 525)</b> | <b>92 437 494</b> | <b>-</b>            | <b>-</b>                       | <b>-</b>           | <b>-</b>  | <b>-</b>   | <b>-</b>            | <b>92 437 494</b> |
| <b>Community assets</b>           |                   |                                |                     |                   |                          |                  |                   |                     |                                |                    |           |            |                     |                   |
| Cemeteries                        | 9 111 583         | -                              | -                   | -                 | -                        | -                | 9 111 583         | (3 650 920)         | -                              | (380 789)          | -         | -          | (4 031 709)         | 5 079 874         |
| Cemeteries perimeter protection   | 4 197 489         | -                              | -                   | -                 | -                        | -                | 4 197 489         | (615 026)           | -                              | (159 804)          | -         | -          | (774 830)           | 3 422 659         |
| Community center                  | 47 155 076        | -                              | -                   | 120 000           | -                        | -                | 47 275 076        | (13 711 415)        | -                              | (1 646 891)        | -         | -          | (15 358 306)        | 31 916 770        |
| Libraries                         | 1 183 251         | -                              | -                   | -                 | -                        | -                | 1 183 251         | (670 343)           | -                              | (39 412)           | -         | -          | (709 755)           | 473 496           |
| Sport and recreational facilities | 15 197 082        | -                              | -                   | -                 | -                        | -                | 15 197 082        | (3 857 679)         | -                              | (541 207)          | -         | -          | (4 398 886)         | 10 798 196        |
| Library books                     | 2 422 329         | -                              | -                   | 48 146            | -                        | -                | 2 470 475         | (1 879 182)         | -                              | (195 384)          | -         | -          | (2 074 566)         | 395 909           |
| Office Equipment – Leased         | -                 | -                              | -                   | -                 | -                        | -                | -                 | -                   | -                              | -                  | -         | -          | -                   | -                 |
| Abattoirs                         | -                 | -                              | -                   | -                 | -                        | -                | -                 | -                   | -                              | -                  | -         | -          | -                   | -                 |
| Markets                           | -                 | -                              | -                   | -                 | -                        | -                | -                 | -                   | -                              | -                  | -         | -          | -                   | -                 |
| Airports                          | -                 | -                              | -                   | -                 | -                        | -                | -                 | -                   | -                              | -                  | -         | -          | -                   | -                 |
| Security measures                 | -                 | -                              | -                   | -                 | -                        | -                | -                 | -                   | -                              | -                  | -         | -          | -                   | -                 |
|                                   | <b>79 266 810</b> | <b>-</b>                       | <b>-</b>            | <b>168 146</b>    | <b>-</b>                 | <b>-</b>         | <b>79 434 956</b> | <b>(24 384 565)</b> | <b>-</b>                       | <b>(2 963 487)</b> | <b>-</b>  | <b>-</b>   | <b>(27 348 052)</b> | <b>52 086 904</b> |

MAKHADO LOCAL MUNICIPALITY

Appendix B

June 2021

Analysis of property, plant and equipment as at 30 June 2020  
Cost/Revaluation Accumulated depreciation

|                                    | Opening Balance |   | Correction of prior year error Rand | Transfer to PPE |             | Additions |   | Transfers to Expenditure |   | Disposals    |   | Closing Balance |               | Opening balance |   | Correction of prior year error Rand | Additions  |             | Disposals     |   | Impairment  |               | Closing Balance |               | Carrying value |  |
|------------------------------------|-----------------|---|-------------------------------------|-----------------|-------------|-----------|---|--------------------------|---|--------------|---|-----------------|---------------|-----------------|---|-------------------------------------|------------|-------------|---------------|---|-------------|---------------|-----------------|---------------|----------------|--|
|                                    | Rand            |   |                                     | Rand            |             | Rand      |   | Rand                     |   | Rand         |   | Rand            |               | Rand            |   |                                     | Rand       |             | Rand          |   | Rand        |               | Rand            |               | Rand           |  |
| Total property plant and equipment |                 |   |                                     |                 |             |           |   |                          |   |              |   |                 |               |                 |   |                                     |            |             |               |   |             |               |                 |               |                |  |
| Land and buildings                 | 273 766 363     | - | -                                   | -               | 4 123 498   | -         | - | -                        | - | (3 024 000)  | - | 274 865 861     | (15 427 218)  | -               | - | (1 383 039)                         | -          | -           | -             | - | -           | (16 810 257)  | -               | 258 055 604   |                |  |
| Infrastructure                     | 2 210 341 970   | - | -                                   | -               | 31 299 185  | -         | - | -                        | - | -            | - | 2 241 641 155   | 1 022 890 717 | -               | - | (105 154 659)                       | -          | (1 904 644) | 1 129 950 020 | - | (1 904 644) | 1 129 950 020 | -               | 1 111 691 135 |                |  |
| Other                              | 92 398 927      | - | -                                   | -               | 38 413 521  | -         | - | -                        | - | (13 703 841) | - | 117 108 607     | (54 693 894)  | -               | - | (10 324 524)                        | 12 267 797 | (178 500)   | (52 929 121)  | - | -           | -             | -               | 64 179 483    |                |  |
| Work In Progress                   | 41 558 674      | - | -                                   | (35 646 528)    | 95 065 824  | -         | - | (7 573 951)              | - | (966 525)    | - | 92 437 494      | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | 92 437 494    |                |  |
| Community assets                   | 79 266 810      | - | -                                   | -               | 168 146     | -         | - | -                        | - | -            | - | 79 434 956      | (24 384 565)  | -               | - | (2 963 487)                         | -          | -           | -             | - | -           | (27 348 052)  | -               | 52 086 904    |                |  |
|                                    | 2 697 332 744   | - | -                                   | (35 646 528)    | 169 070 174 | -         | - | (7 573 951)              | - | (17 694 366) | - | 2 805 488 073   | 1 117 396 394 | -               | - | (119 825 709)                       | 12 267 797 | (2 083 144) | 1 227 037 450 | - | -           | -             | -               | 1 578 450 620 |                |  |
| Investment properties              |                 |   |                                     |                 |             |           |   |                          |   |              |   |                 |               |                 |   |                                     |            |             |               |   |             |               |                 |               |                |  |
| Developed land                     | 4 297 250       | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 4 297 250       | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | 4 297 250     |                |  |
| Dwellings                          | 6 372 121       | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 6 372 121       | (1 612 915)   | -               | - | (177 517)                           | -          | -           | (1 790 432)   | - | -           | -             | -               | 4 581 689     |                |  |
| Non residential structures         | 8 107 645       | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 8 107 645       | (817 040)     | -               | - | (204 260)                           | -          | -           | (1 021 300)   | - | -           | (1 021 300)   | -               | 7 086 345     |                |  |
|                                    | 18 777 016      | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 18 777 016      | (2 429 955)   | -               | - | (381 777)                           | -          | -           | (2 811 732)   | - | -           | -             | -               | 15 965 284    |                |  |
| Intangible assets                  |                 |   |                                     |                 |             |           |   |                          |   |              |   |                 |               |                 |   |                                     |            |             |               |   |             |               |                 |               |                |  |
| Intangible Assets                  | 6 011 582       | - | -                                   | -               | 1 086 000   | -         | - | -                        | - | (174 240)    | - | 6 923 342       | (4 234 994)   | -               | - | (744 929)                           | 174 240    | -           | (4 805 683)   | - | -           | -             | -               | 2 117 659     |                |  |
|                                    | 6 011 582       | - | -                                   | -               | 1 086 000   | -         | - | -                        | - | (174 240)    | - | 6 923 342       | (4 234 994)   | -               | - | (744 929)                           | 174 240    | -           | (4 805 683)   | - | -           | -             | -               | 2 117 659     |                |  |
| Heritage assets                    |                 |   |                                     |                 |             |           |   |                          |   |              |   |                 |               |                 |   |                                     |            |             |               |   |             |               |                 |               |                |  |
| Heritage assets                    | 2 160 328       | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 2 160 328       | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | 2 160 328     |                |  |
|                                    | 2 160 328       | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 2 160 328       | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | 2 160 328     |                |  |
|                                    | -               | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | -               | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | -             |                |  |
|                                    | -               | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | -               | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | -             |                |  |
|                                    | -               | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | -               | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | -             |                |  |
|                                    | -               | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | -               | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | -             |                |  |
|                                    | -               | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | -               | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | -             |                |  |
|                                    | -               | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | -               | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | -             |                |  |
|                                    | -               | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | -               | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | -             |                |  |
| Total                              |                 |   |                                     |                 |             |           |   |                          |   |              |   |                 |               |                 |   |                                     |            |             |               |   |             |               |                 |               |                |  |
| Land and buildings                 | 273 766 363     | - | -                                   | -               | 4 123 498   | -         | - | -                        | - | (3 024 000)  | - | 274 865 861     | (15 427 218)  | -               | - | (1 383 039)                         | -          | -           | (16 810 257)  | - | -           | -             | -               | 258 055 604   |                |  |
| Infrastructure                     | 2 210 341 970   | - | -                                   | -               | 31 299 185  | -         | - | -                        | - | -            | - | 2 241 641 155   | 1 022 890 717 | -               | - | (105 154 659)                       | -          | (1 904 644) | 1 129 950 020 | - | (1 904 644) | 1 129 950 020 | -               | 1 111 691 135 |                |  |
| Other                              | 92 398 927      | - | -                                   | -               | 38 413 521  | -         | - | -                        | - | (13 703 841) | - | 117 108 607     | (54 693 894)  | -               | - | (10 324 524)                        | 12 267 797 | (178 500)   | (52 929 121)  | - | -           | -             | -               | 64 179 483    |                |  |
| Work In Progress                   | 41 558 674      | - | -                                   | (35 646 528)    | 95 065 824  | -         | - | (7 573 951)              | - | (966 525)    | - | 92 437 494      | -             | -               | - | -                                   | -          | -           | (27 348 052)  | - | -           | -             | -               | 92 437 494    |                |  |
| Community assets                   | 79 266 810      | - | -                                   | -               | 168 146     | -         | - | -                        | - | -            | - | 79 434 956      | (24 384 565)  | -               | - | (2 963 487)                         | -          | -           | (27 348 052)  | - | -           | -             | -               | 52 086 904    |                |  |
| Investment properties              | 18 777 016      | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 18 777 016      | (2 429 955)   | -               | - | (381 777)                           | -          | -           | (2 811 732)   | - | -           | -             | -               | 15 965 284    |                |  |
| Intangible assets                  | 6 011 582       | - | -                                   | -               | 1 086 000   | -         | - | -                        | - | (174 240)    | - | 6 923 342       | (4 234 994)   | -               | - | (744 929)                           | 174 240    | -           | (4 805 683)   | - | -           | -             | -               | 2 117 659     |                |  |
| Heritage assets                    | 2 160 328       | - | -                                   | -               | -           | -         | - | -                        | - | -            | - | 2 160 328       | -             | -               | - | -                                   | -          | -           | -             | - | -           | -             | -               | 2 160 328     |                |  |
|                                    | 2 724 281 670   | - | -                                   | (35 646 528)    | 170 156 174 | -         | - | (7 573 951)              | - | (17 868 606) | - | 2 833 348 759   | 1 124 061 343 | -               | - | (120 952 415)                       | 12 442 037 | (2 083 144) | 1 234 654 865 | - | -           | -             | -               | 1 598 693 891 |                |  |

## Appendix B

## Analysis of property, plant and equipment as at 30 June 2020

## Accumulated depreciation

Page 109

# MAKHADO LOCAL MUNICIPALITY Appendix B

## Analysis of property, plant and equipment as at 30 June 2021 Cost/Revaluation Accumulated depreciation

|                                | Opening<br>Balance<br>Rand | Correction of<br>errors<br>Rand | Reclassificati<br>on<br>Rand | Additions<br>Rand | Transfer<br>Rand | Disposals<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Correction of<br>errors<br>Rand | Additions<br>Rand    | Disposals<br>Rand | Closing<br>Balance<br>Rand | Impairment<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--------------------------------|----------------------------|---------------------------------|------------------------------|-------------------|------------------|-------------------|----------------------------|----------------------------|---------------------------------|----------------------|-------------------|----------------------------|--------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>      |                            |                                 |                              |                   |                  |                   |                            |                            |                                 |                      |                   |                            |                    |                            |                           |
| Developed land                 | 210 582 951                | -                               | -                            | -                 | -                | -                 | 210 582 951                | -                          | -                               | -                    | -                 | -                          | -                  | -                          | 210 582 951               |
| Undeveloped land               | 23 256 662                 | -                               | -                            | -                 | -                | -                 | 23 256 662                 | -                          | -                               | -                    | -                 | -                          | -                  | -                          | 23 256 662                |
| Dwellings                      | 3 280 346                  | -                               | -                            | 207 000           | -                | -                 | 3 487 346                  | (392 612)                  | -                               | (139 812)            | -                 | -                          | -                  | (532 424)                  | 2 954 922                 |
| Landfill site                  | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                          | -                  | -                          | -                         |
| Non residential structures     | 37 745 884                 | -                               | -                            | 3 936 650         | -                | -                 | 41 682 534                 | (16 417 647)               | -                               | (1 403 795)          | -                 | -                          | (53 022)           | (17 874 464)               | 23 808 070                |
|                                | <b>274 865 863</b>         | -                               | -                            | <b>4 143 650</b>  | -                | -                 | <b>279 009 513</b>         | <b>(16 810 259)</b>        | -                               | <b>(1 543 607)</b>   | -                 | -                          | <b>(53 022)</b>    | <b>(18 406 888)</b>        | <b>260 602 625</b>        |
| <b>Infrastructure</b>          |                            |                                 |                              |                   |                  |                   |                            |                            |                                 |                      |                   |                            |                    |                            |                           |
| Electricity                    | 1 028 211 121              | -                               | -                            | 33 454 345        | -                | -                 | 1 061 665 466              | (597 857 915)              | -                               | (47 138 320)         | -                 | -                          | (2 863)            | (644 999 098)              | 416 666 368               |
| Roads                          | 1 186 519 152              | -                               | -                            | 35 503 440        | -                | -                 | 1 221 022 592              | (522 844 110)              | -                               | (68 787 937)         | -                 | -                          | (1 393 303)        | (683 025 350)              | 637 997 242               |
| Solid waste disposal           | 27 910 882                 | -                               | -                            | -                 | -                | -                 | 27 910 882                 | (9 247 997)                | -                               | (743 698)            | -                 | -                          | -                  | (9 991 695)                | 17 919 187                |
| Transmission & Reticulation    | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                          | -                  | -                          | -                         |
| Street lighting                | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                          | -                  | -                          | -                         |
| Dams & Reservoirs              | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                          | -                  | -                          | -                         |
| Water purification             | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                          | -                  | -                          | -                         |
|                                | <b>2 241 641 155</b>       | -                               | -                            | <b>68 957 785</b> | -                | -                 | <b>2 310 598 940</b>       | <b>(1 129 950 022)</b>     | -                               | <b>(106 669 955)</b> | -                 | -                          | <b>(1 396 166)</b> | <b>(1 238 016 143)</b>     | <b>1 072 582 797</b>      |
| <b>Other</b>                   |                            |                                 |                              |                   |                  |                   |                            |                            |                                 |                      |                   |                            |                    |                            |                           |
| Machinery and equipment        | 46 157 173                 | -                               | -                            | 2 225 170         | -                | -                 | 48 382 343                 | (20 170 413)               | -                               | (4 866 578)          | -                 | -                          | (23 100)           | (25 060 091)               | 23 322 252                |
| Furniture and office equipment | 13 001 340                 | -                               | -                            | 2 153 414         | -                | -                 | 15 154 754                 | (9 228 782)                | -                               | (1 519 464)          | -                 | -                          | (25 621)           | (10 773 867)               | 4 380 887                 |
| Computer equipment             | 8 034 724                  | -                               | -                            | 3 526 139         | -                | -                 | 11 560 863                 | (4 338 820)                | -                               | (1 246 383)          | -                 | -                          | (3 036)            | (5 588 239)                | 5 972 624                 |
| Transport assets               | 49 915 369                 | -                               | -                            | 26 774 182        | -                | -                 | 76 689 551                 | (19 191 108)               | -                               | (6 032 921)          | -                 | -                          | (200)              | (25 224 229)               | 51 465 322                |
| Library books                  | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                          | -                  | -                          | -                         |
|                                | <b>117 108 606</b>         | -                               | -                            | <b>34 678 905</b> | -                | -                 | <b>151 787 511</b>         | <b>(52 929 123)</b>        | -                               | <b>(13 665 346)</b>  | -                 | -                          | <b>(51 957)</b>    | <b>(66 646 426)</b>        | <b>85 141 085</b>         |

# MAKHADO LOCAL MUNICIPALITY

## Appendix B

June 2021

### Analysis of property, plant and equipment as at 30 June 2021 Cost/Revaluation Accumulated depreciation

|                                   | Opening<br>Balance<br>Rand | Correction of<br>errors<br>Rand | Reclassificati<br>on<br>Rand | Additions<br>Rand | Transfer<br>Rand | Disposals<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Correction of<br>errors<br>Rand | Additions<br>Rand  | Disposals<br>Rand | Impairment<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|-----------------------------------|----------------------------|---------------------------------|------------------------------|-------------------|------------------|-------------------|----------------------------|----------------------------|---------------------------------|--------------------|-------------------|--------------------|----------------------------|---------------------------|
| <b>Work In Progress</b>           |                            |                                 |                              |                   |                  |                   |                            |                            |                                 |                    |                   |                    |                            |                           |
| Land & Buildings                  | 2 058 179                  | -                               | -                            | -                 | -                | -                 | 2 058 179                  | -                          | -                               | -                  | -                 | -                  | -                          | 2 058 179                 |
| Infrastructure                    | 66 332 823                 | -                               | -                            | -                 | -                | -                 | 66 332 823                 | -                          | -                               | -                  | -                 | -                  | -                          | 66 332 823                |
| Community                         | 24 046 493                 | -                               | -                            | -                 | -                | -                 | 24 046 493                 | -                          | -                               | -                  | -                 | -                  | -                          | 24 046 493                |
|                                   | <b>92 437 495</b>          | -                               | -                            | -                 | -                | -                 | <b>92 437 495</b>          | -                          | -                               | -                  | -                 | -                  | -                          | <b>92 437 495</b>         |
| <b>Investment property</b>        |                            |                                 |                              |                   |                  |                   |                            |                            |                                 |                    |                   |                    |                            |                           |
| Undeveloped land                  | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                  | -                 | -                  | -                          | -                         |
| Developed land                    | 4 297 251                  | -                               | -                            | -                 | -                | -                 | 4 297 251                  | -                          | -                               | -                  | -                 | -                  | -                          | 4 297 251                 |
| Dwellings                         | 6 372 122                  | -                               | -                            | -                 | -                | -                 | 6 372 122                  | (1 790 433)                | -                               | (177 451)          | -                 | -                  | (1 967 884)                | 4 404 238                 |
| Non residential structures        | 8 107 646                  | -                               | -                            | -                 | -                | -                 | 8 107 646                  | (1 021 301)                | -                               | (204 260)          | -                 | -                  | (1 225 561)                | 6 882 085                 |
|                                   | <b>18 777 019</b>          | -                               | -                            | -                 | -                | -                 | <b>18 777 019</b>          | <b>(2 811 734)</b>         | -                               | <b>(381 711)</b>   | -                 | -                  | <b>(3 193 445)</b>         | <b>15 583 574</b>         |
| <b>Community assets</b>           |                            |                                 |                              |                   |                  |                   |                            |                            |                                 |                    |                   |                    |                            |                           |
| Cemeteries                        | 9 111 583                  | -                               | -                            | -                 | -                | -                 | 9 111 583                  | (4 031 710)                | -                               | (380 789)          | -                 | -                  | (4 412 499)                | 4 699 084                 |
| Cemeteries perimeter protection   | 4 197 489                  | -                               | -                            | 2 284 344         | -                | -                 | 6 481 833                  | (774 831)                  | -                               | (166 677)          | -                 | -                  | (941 508)                  | 5 540 325                 |
| Civic theaters                    | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                  | -                 | -                  | -                          | -                         |
| Dwellings                         | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                  | -                 | -                  | -                          | -                         |
| Community center                  | 47 275 077                 | -                               | -                            | 10 135 823        | -                | -                 | 57 410 900                 | (15 358 307)               | -                               | (1 783 892)        | -                 | -                  | (17 142 199)               | 40 268 701                |
| Libraries                         | 1 183 252                  | -                               | -                            | -                 | -                | -                 | 1 183 252                  | (709 757)                  | -                               | (39 413)           | -                 | -                  | (749 170)                  | 434 082                   |
| Sport and recreational facilities | 15 197 083                 | -                               | -                            | -                 | -                | -                 | 15 197 083                 | (4 398 886)                | -                               | (482 872)          | -                 | (2 248)            | (4 884 006)                | 10 313 077                |
| Liabrary books                    | 2 470 476                  | -                               | -                            | -                 | -                | -                 | 2 470 476                  | (2 074 567)                | -                               | (173 429)          | -                 | -                  | (2 248 064)                | 222 412                   |
| Markets                           | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                  | -                 | -                  | -                          | -                         |
| Airports                          | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                  | -                 | -                  | -                          | -                         |
| Security measures                 | -                          | -                               | -                            | -                 | -                | -                 | -                          | -                          | -                               | -                  | -                 | -                  | -                          | -                         |
|                                   | <b>79 434 960</b>          | -                               | -                            | <b>12 420 167</b> | -                | -                 | <b>91 855 127</b>          | <b>(27 348 058)</b>        | -                               | <b>(3 027 072)</b> | -                 | <b>(2 316)</b>     | <b>(30 377 446)</b>        | <b>61 477 681</b>         |

# MAKHADO LOCAL MUNICIPALITY

## Appendix B

June 2021

### Analysis of property, plant and equipment as at 30 June 2021 Cost/Revaluation Accumulated depreciation

|                                           | Opening<br>Balance<br>Rand | Correction of<br>errors<br>Rand | Reclassificati<br>on<br>Rand | Additions<br>Rand  | Transfer<br>Rand | Disposals<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Correction of<br>errors<br>Rand | Additions<br>Rand    | Disposals<br>Rand | Impairment<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|-------------------------------------------|----------------------------|---------------------------------|------------------------------|--------------------|------------------|-------------------|----------------------------|----------------------------|---------------------------------|----------------------|-------------------|--------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> | <b>2 707 156 482</b>       | -                               | -                            | <b>120 200 507</b> | -                | -                 | <b>2 827 356 989</b>       | <b>1 176 920 073</b>       | -                               | <b>(111 622 345)</b> | -                 | <b>(107 295)</b>   | <b>1 288 649 713</b>       | <b>337 663 880</b>        |
| Investment properties                     | -                          | -                               | -                            | -                  | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                  | -                          | -                         |
| <b>Intangible assets</b>                  |                            |                                 |                              |                    |                  |                   |                            |                            |                                 |                      |                   |                    |                            |                           |
| Intangible Assets                         | 6 923 343                  | -                               | -                            | 620 796            | -                | -                 | 7 544 139                  | (4 805 684)                | -                               | (872 067)            | -                 | -                  | (5 677 751)                | 1 866 388                 |
|                                           | <b>6 923 343</b>           | -                               | -                            | <b>620 796</b>     | -                | -                 | <b>7 544 139</b>           | <b>(4 805 684)</b>         | -                               | <b>(872 067)</b>     | -                 | -                  | <b>(5 677 751)</b>         | <b>1 866 388</b>          |
| <b>Heritage assets</b>                    |                            |                                 |                              |                    |                  |                   |                            |                            |                                 |                      |                   |                    |                            |                           |
| Heritage assets                           | 2 160 329                  | -                               | -                            | -                  | -                | -                 | 2 160 329                  | -                          | -                               | -                    | -                 | -                  | -                          | 2 160 329                 |
|                                           | <b>2 160 329</b>           | -                               | -                            | -                  | -                | -                 | <b>2 160 329</b>           | -                          | -                               | -                    | -                 | -                  | -                          | <b>2 160 329</b>          |
|                                           | -                          | -                               | -                            | -                  | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                  | -                          | -                         |
|                                           | -                          | -                               | -                            | -                  | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                  | -                          | -                         |
|                                           | -                          | -                               | -                            | -                  | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                  | -                          | -                         |
|                                           | -                          | -                               | -                            | -                  | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                  | -                          | -                         |
|                                           | -                          | -                               | -                            | -                  | -                | -                 | -                          | -                          | -                               | -                    | -                 | -                  | -                          | -                         |
| <b>Total</b>                              |                            |                                 |                              |                    |                  |                   |                            |                            |                                 |                      |                   |                    |                            |                           |
| Land and buildings                        | 274 865 863                | -                               | -                            | 4 143 650          | -                | -                 | 279 009 513                | (16 810 259)               | -                               | (1 543 607)          | -                 | (53 022)           | (18 406 888)               | 260 602 625               |
| Infrastructure                            | 2 241 641 155              | -                               | -                            | 68 957 785         | -                | -                 | 2 310 598 940              | 1 129 950 022              | -                               | (106 669 955)        | -                 | -                  | 1 238 016 143              | -                         |
| Other                                     | 117 108 606                | -                               | -                            | 34 678 905         | -                | -                 | 151 787 511                | -                          | -                               | -                    | -                 | (51 957)           | -                          | -                         |
| Work In Progress                          | 92 437 495                 | -                               | -                            | -                  | -                | -                 | 92 437 495                 | -                          | -                               | -                    | -                 | -                  | -                          | -                         |
| Investment property                       | 18 777 019                 | -                               | -                            | -                  | -                | -                 | 18 777 019                 | (2 811 734)                | -                               | (381 711)            | -                 | -                  | (3 193 445)                | 15 583 574                |
| Community assets                          | 79 434 960                 | -                               | -                            | 12 420 167         | -                | -                 | 91 855 127                 | (27 348 058)               | -                               | (3 027 072)          | -                 | (2 316)            | (30 377 446)               | 61 477 681                |
| Investment properties                     | 6 923 343                  | -                               | -                            | 620 796            | -                | -                 | 7 544 139                  | (4 805 684)                | -                               | (872 067)            | -                 | -                  | (5 677 751)                | 1 866 388                 |
| Intangible assets                         | 2 160 329                  | -                               | -                            | -                  | -                | -                 | 2 160 329                  | -                          | -                               | -                    | -                 | -                  | -                          | 2 160 329                 |
| Heritage assets                           | 2 833 348 770              | -                               | -                            | 120 821 303        | -                | -                 | 2 954 170 073              | 1 181 725 757              | -                               | (112 494 412)        | -                 | (107 295)          | 1 295 671 673              | 341 690 597               |

# MAKHADO LOCAL MUNICIPALITY

## Appendix C

June 2021

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2021

|                                            | Current year<br>2021       | Current year<br>2021 |                  |         |                                                                                                                                                                                                           |
|--------------------------------------------|----------------------------|----------------------|------------------|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            | Adjusted<br>budget<br>Rand | Act. Bal.<br>Rand    | Variance<br>Rand | Var     | Explanation of Significant Variances<br>greater than 10% versus Budget                                                                                                                                    |
| <b>Revenue</b>                             |                            |                      |                  |         |                                                                                                                                                                                                           |
| Property rates                             | 87 441 000                 | 87 658 434           | (217 434)        | (0,2)   |                                                                                                                                                                                                           |
| Service charges                            | 375 820 000                | 448 765 782          | (72 945 782)     | (16,3)  | The increase of actual amount surpassed the budgeted amount due to increases in electricity and refuse tariffs during the year.                                                                           |
| Rental of facilities and equipment         | 361 000                    | 256 904              | 104 096          | 40,5    | Collections from rental of facilities was less than budgeted by 40.5%. This was mainly due to less Hall bookings due to National Lockdown which limited the gathering of many people due to Corona Virus. |
| Interest income                            | 22 690 000                 | 24 851 157           | (2 161 157)      | (8,7)   |                                                                                                                                                                                                           |
| Licences and permits                       | 4 520 000                  | 4 465 794            | 54 206           | 1,2     |                                                                                                                                                                                                           |
| Other Income                               | 37 250 000                 | 72 829 481           | (35 579 481)     | (48,9)  | The variance is due to VDM impairment reversal due to re-assessment of the allowance for credit losses.                                                                                                   |
| Agency services                            | -                          | 4 084 953            | (4 084 953)      | (100,0) | More bank interest was received during the year than initially budgeted for.                                                                                                                              |
| Interest received - financial institutions | 4 453 000                  | 5 137 404            | (684 404)        | (13,3)  |                                                                                                                                                                                                           |
| Government grants & subsidies              | 581 977 000                | 585 528 084          | (3 551 084)      | (0,6)   |                                                                                                                                                                                                           |
| Fines, Penalties and Forfeits              | 4 795 000                  | 5 256 032            | (461 032)        | (8,8)   | More traffic fines tickets were issued due to an increase in traffic offenders.                                                                                                                           |
|                                            | 119 307 000                | 238 834 025          | (119 527 025)    | (9,6)   |                                                                                                                                                                                                           |
| <b>Expenses</b>                            |                            |                      |                  |         |                                                                                                                                                                                                           |
| Employee costs                             | -                          | -                    | -                | -       |                                                                                                                                                                                                           |
| Remuneration of councillors                | (289 607 000)              | (287 366 574)        | (2 240 426)      | 0,8     | Expenditure is within the budget.                                                                                                                                                                         |
| Depreciation & amortisation                | (30 410 000)               | (26 157 677)         | (4 252 323)      | 16,3    |                                                                                                                                                                                                           |
| Finance costs                              | (135 000 000)              | (127 663 223)        | (7 336 777)      | 5,7     |                                                                                                                                                                                                           |
| Debt Impairment                            | (12 415 000)               | (12 225 949)         | (189 051)        | 1,5     |                                                                                                                                                                                                           |
| Bulk purchases                             | (63 735 000)               | (54 958 048)         | (8 776 952)      | 16,0    |                                                                                                                                                                                                           |
|                                            | (275 822 000)              | (275 609 956)        | (212 044)        | 0,1     |                                                                                                                                                                                                           |

# MAKHADO LOCAL MUNICIPALITY

## Appendix C

June 2021

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2021

|                                        | Current year<br>2021<br>Adjusted<br>budget | Current year<br>2021<br>Act. Bal. | Variance      | Explanation of Significant Variances<br>greater than 10% versus Budget |
|----------------------------------------|--------------------------------------------|-----------------------------------|---------------|------------------------------------------------------------------------|
| Contracted Services                    | (170 584 000)                              | (168 029 272)                     | (2 554 728)   | 1,5                                                                    |
| General Expenses                       | (62 560 000)                               | (64 414 862)                      | 1 854 862     | (2,9)                                                                  |
|                                        | 040 133 000)                               | 016 425 561)                      | (23 707 439)  | 2,3                                                                    |
| Other revenue and costs                |                                            |                                   |               |                                                                        |
| Net surplus/ (deficit) for<br>the year | 79 174 000                                 | 222 408 464                       | (143 234 464) | (64,4)                                                                 |

**MAKHADO LOCAL MUNICIPALITY**  
**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2021

| Name of Grants                     | Name of organ of state or municipal entity | Quarterly Receipts |        |        |        |     |     | Quarterly Expenditure |        |         |         |     |     | Grants and Subsidies delayed / withheld |     |     |     |  |  | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|------------------------------------|--------------------------------------------|--------------------|--------|--------|--------|-----|-----|-----------------------|--------|---------|---------|-----|-----|-----------------------------------------|-----|-----|-----|--|--|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------|
|                                    |                                            | Jul                | Sep    | Dec    | Mar    | Jun | Jul | Sep                   | Dec    | Mar     | Jun     | Jul | Sep | Dec                                     | Mar | Jun |     |  |  |                                       |                                                                                                                          |                          |
| Municipal Infrastructure Grant     | National Treasury                          | -                  | 42 000 | 32 700 | 13 176 | -   | -   | 24 024                | 27 474 | 16 209  | 29 752  | -   | -   | -                                       | -   | -   | Yes |  |  |                                       |                                                                                                                          |                          |
| Integrated Electrification Program | Department of Energy                       | -                  | -      | 8 000  | 2 340  | -   | -   | -                     | -      | (7 325) | (3 015) | -   | -   | -                                       | -   | -   | Yes |  |  |                                       |                                                                                                                          |                          |
| Financial Management Grant         | National Treasury                          | -                  | 1 700  | -      | -      | -   | -   | (469)                 | (401)  | (373)   | (457)   | -   | -   | -                                       | -   | -   | Yes |  |  |                                       |                                                                                                                          |                          |
| EPWP                               | Department of Public Works                 | -                  | 568    | 1 022  | 680    | -   | -   | (568)                 | (568)  | (568)   | (568)   | -   | -   | -                                       | -   | -   | Yes |  |  |                                       |                                                                                                                          |                          |
|                                    |                                            | -                  | 44 268 | 41 722 | 16 196 | -   | -   | 25 061                | 28 443 | 24 475  | 33 792  | -   | -   | -                                       | -   | -   |     |  |  |                                       |                                                                                                                          |                          |