Molemole Municipality

Molemole Local Municipality
(Registration number LIM353)
Financial statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Goverment
Nature of business and principal activities	Performing the functions as set out in the Constitution (Act no 105 of 1996). Providing municipal services and maintaining the best interests of the local community mainly in the Mogwadi area.
Mayor	Cllr M E Paya
Councillors	Cllr E M Rathaha
	Cllr M S Moreroa
	Cllr N W Seakamela
	Cllr M P Tawana
	Cllr M D Lehong
	Cllr N F Rampyapedi
	Cllr M A Kobo
	Cllr P T Rathete
	Cllr R L Mpati
	Cllr S R Nakana
	Cllr M Q Malema
	Cllr M J Manthata
	Cllr G M Sepheso
	Cllr N S Ramukhubedu
	Cllr S E Kobola
	Cllr M Duba
	Cllr P S Masoga
	Cllr M P Makgato
	Cllr M L Moabelo
	Cllr N M Hopane
	Cllr D Matlou
	Cllr N G Makgalo
	Cllr M A Makgoka
	Cllr T Raphaswana
	Cllr M D Marutha
	Cllr M I Mohafe
	Cllr M D Meso
	Cllr P T Rakimane
	Cllr M J Leferela
	Cllr M C Matjee
	Cllr M P Tloubatla
Business address	303 Church Street Mogwadi 0715
Grading of local authority	Level 3 Local Municipality
Chief Finance Officer (CFO)	Miss Khanyisile Zulu
Accounting Officer	Mr. ML Mosena
Postal address	Private Bag X44 Mogwadi 0715

General Information

Bankers	Nedbank
Auditors	Office of the Auditor General (South Africa)
Website Address	www.molemole.gov.za
Email Address	info@molemole.gov.za
Audit Committee chairperson	Mr SA Ngobeni
Audit Committee members	Ms TE Monobe Mr ID Maredi (up to 24 September 2020) Mr TA Lekoloane

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Charted Institute of Goverment Finance and Risk officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 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 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 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 financial statements set out on pages 5 to 77, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

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Accounting Officer
Mr ML Mosena

Accounting Officer's Report

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

1. Going concern

The 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.

2. Accounting policies

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

3. Impact of Covid 19

The Covid -19 outbreak has developmed rapidly in 2020/2021 financial year, with a significant number of infections. Measures taken by various govement to contain the virus have affected economic activities.

The Municipality has taken a number of measures to monitor and prevent the effects of the Covid -19 virus such as safety and health measures for our people (like socail distancing and working from home),securing the supply of materials that are essential to our working enviroment and training of frontline officials on hygiene and sanitising of workspaces as well as on Covid-19 risk identification and response protocols.

Property rates and services revenue collection was highly vulnerable to defaulting by households as a result of income losses. Additionally, the effect of COVID-19 had a wide-ranging impact on the property market itself, which in turn impacted on property rates. The real estate industry has been heavily affected which translated into depressed property prices and lower valuations figures.

Balancing expenditure between the COVID- 19 agenda and the Business-agenda was one of the most significant challenges in the municipality. Although it was difficult to see past the current crisis, leaders needed to think about the future while managing day-to day service delivery challenges.

At this stage the impact in the Municipality and financial results is limited. We will continue to follow the various national insitute's policies and advise and in parallel will do our utmost to continue our operatinos in the best safest way posiblle withou jeopardising the health of our people.

In the financial year there were 18 positive Covid 19 cases and zero death in the Municipality

At the moment no uncertainty about the entity's ability to continue as a going concern is identified due to the impact of

Covid-19.

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	1 052 291	261 304
Receivables from exchange transactions	9	2 541 347	2 697 015
Receivables from non-exchange transactions	10	58 824 345	73 175 444
VAT receivable	11	12 523 502	14 969 931
Cash and cash equivalents	12	89 543 805	23 010 966
		164 485 290	**114 114 660**
Non-Current Assets			
Investment property	3	1 614 335	1 657 668
Property, plant and equipment	4	310 334 685	272 304 287
Intangible assets	5	1	218 213
Heritage Assets	6	380 300	368 150
		312 329 321	**274 548 318**
Total Assets		**476 814 611**	**388 662 978**
Liabilities			
Current Liabilities			
Finance lease obligation	14	-	251 668
Payables from exchange transactions	19	19 758 536	24 025 728
Consumer deposits	20	505 376	504 476
Unspent conditional grants and receipts	15	737 365	1 236 937
Other Current Liability	17	282 504	119 771
Current Employee Benefit	18	9 746 531	8 204 405
		31 030 312	**34 342 985**
Non-Current Liabilities			
Employee benefit obligation	7	10 048 000	7 628 000
Provisions	16	16 002 433	15 337 830
		26 050 433	**22 965 830**
Total Liabilities		**57 080 745**	**57 308 815**
Net Assets		**419 733 842**	**331 354 145**
Reserves			
Revaluation reserve	13	47 707 170	47 695 020
Accumulated surplus		372 026 672	283 659 125
Total Net Assets		**419 733 842**	**331 354 145**

* See Note 55 & 56

Molemole Local Municipality

(Registration number LIM353)
Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	11 061 887	10 503 009
Rental of facilities and equipment	23	254 993	254 705
Interest received - debtors	26	628 249	425 043
Commission Received	28	718 633	683 390
Licences and permits	25	4 890 684	2 813 493
Other income	29	113 522	3 468 877
Interest received - investment	30	2 543 773	1 729 419
Total revenue from exchange transactions		**20 211 741**	**19 877 936**
Revenue from non-exchange transactions			
Property rates	31	49 558 003	20 010 884
Interest received -debtors	27	714 069	487 735
Government grants & subsidies	32	230 316 073	182 145 339
Public contributions and donations	33	1 234 955	-
Fines, Penalties and Forfeits	24	493 491	909 431
Total revenue from non-exchange transactions		**282 316 591**	**203 553 389**
Total revenue	21	**302 528 332**	**223 431 325**
Expenditure			
Employee related costs	34	(91 626 639)	(87 486 116)
Remuneration of councillors	35	(12 959 102)	(12 916 703)
Depreciation, amortisation and Impairment of assets	36	(12 114 550)	(15 911 406)
Finance costs	37	(183 629)	(421 596)
Debt Impairment	38	(8 871 388)	(5 758 835)
Bulk purchases	39	(11 026 473)	(10 107 196)
Contracted services	40	(39 119 438)	(27 337 190)
Loss on disposal of assets and liabilities	51	(173 105)	(161 471)
General Expenses	41	(38 086 461)	(32 684 333)
Total expenditure		**(214 160 785)**	**(192 784 846)**
Surplus for the year		**88 367 547**	**30 646 479**

* See Note 55 & 56

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	47 614 111	248 111 137	295 725 248
Adjustments			
Correction of errors - see note 56	-	4 350 953	4 350 953
Restated Balance at 01 July 2019	**47 614 111**	**252 462 090**	**300 076 201**
Revaluation of Land and Buildings	80 909	-	80 909
Correction of Error Note 56	-	550 556	550 556
Surplus for the year	-	30 646 479	30 646 479
	-	-	-
Balance at 01 July 2020	**47 695 020**	**283 659 125**	**331 354 154**
Changes in net assets			
Revaluation of Heritage Assets	12 150	-	12 150
Surplus for the year	-	88 367 547	88 367 547
Balance at 30 June 2021	**47 707 170**	**372 026 672**	**419 733 851**
Note(s)	13		

* See Note 55 & 56

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services	46	74 069 810	23 855 527
Grants	47	229 816 501	181 148 001
Interest Income	30	2 543 773	1 729 419
		306 430 084	206 732 947
Payments			
Employee and councillors costs	49	(104 585 741)	(100 402 819)
Suppliers	48	(86 054 660)	(63 724 649)
Finance costs		(183 629)	(421 596)
		(190 824 030)	(164 549 064)
Net cash flows from operating activities	45	**115 606 054**	**42 183 883**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(48 821 553)	(38 284 504)
Cash flows from financing activities			
Finance lease payments		(251 668)	(261 638)
Net cash flows from financing activities		**(251 668)**	**(261 638)**
Net increase/(decrease) in cash and cash equivalents		**66 532 839**	**3 637 741**
Cash and cash equivalents at the beginning of the year		23 010 966	19 373 209
Cash and cash equivalents at the end of the year	12	**89 543 805**	**23 010 966**

* See Note 55 & 56

Molemole Local Municipality

(Registration number LIM353)
Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service Charges : Sale of electricity	11 271 705	-	**11 271 705**	8 433 035	**(2 838 670)**	(25)%- 44.1
Service Charges : Refuse removal	2 391 314	-	**2 391 314**	2 628 852	**237 538**	10 %44.2
Rental of facilities and equipment	244 463	-	**244 463**	254 993	**10 530**	4 % -
Interest received	795 375	-	**795 375**	628 249	**(167 126)**	(21)%-44.3
Commission Received	694 618	-	**694 618**	718 633	**24 015**	3 %-
Licences and permits	7 383 452	-	**7 383 452**	4 890 684	**(2 492 768)**	(34)%- 44.4.
Other income	26 854 441	(26 475 527)	**378 914**	113 522	**(265 392)**	(70)% - 44.5
Interest received - investment	2 215 488	391 062	**2 606 550**	2 543 773	**(62 777)**	(2)%-44.7
Total revenue from exchange transactions	**51 850 856**	**(26 084 465)**	**25 766 391**	**20 211 741**	**(5 554 650)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23 451 683	26 097 947	**49 549 630**	49 558 003	**8 373**	- %-44.8
Interest recieved debtors	479 742	183 296	**663 038**	714 069	**51 031**	
Transfer revenue : Government grants & subsidies	205 782 000	25 163 196	**230 945 196**	230 316 073	**(629 123)**	- %-44.9
Public contributions and donations	-	-	-	1 234 955	**1 234 955**	
Traffic Fines, penalties and forfeits	4 287 241	(3 000 000)	**1 287 241**	493 491	**(793 750)**	(62)% 44.6
Total revenue from non-exchange transactions	**234 000 666**	**48 444 439**	**282 445 105**	**282 316 591**	**(128 514)**	
Total revenue	**285 851 522**	**22 359 974**	**308 211 496**	**302 528 332**	**(5 683 164)**	
Expenditure						
Personnel	(98 165 079)	(237 324)	**(98 402 403)**	(91 626 639)	**6 775 764**	(7)%-44.10
Remuneration of councillors	(15 010 262)	-	**(15 010 262)**	(12 959 102)	**2 051 160**	(14)% - 44.11
Depreciation and amortisation	(18 672 046)	390 294	**(18 281 752)**	(12 114 550)	**6 167 202**	(34)%-44.12
Finance costs	(2 183 605)	5 652	**(2 177 953)**	(183 629)	**1 994 324**	(92)%-44.13
Debt Impairment	(6 099 772)	(3 000 000)	**(9 099 772)**	(8 871 388)	**228 384**	(3)% - 44.14
Bulk purchases	(11 037 708)	-	**(11 037 708)**	(11 026 473)	**11 235**	- %
Contracted Services	(31 609 079)	(11 915 802)	**(43 524 881)**	(39 119 438)	**4 405 443**	(10)%- 44.15
General Expenditure	(41 224 640)	(6 870 262)	**(48 094 902)**	(38 086 461)	**10 008 441**	(21)%-44.16
Total expenditure	**(224 002 191)**	**(21 627 442)**	**(245 629 633)**	**(213 987 680)**	**31 641 953**	
Operating surplus	**61 849 331**	**732 532**	**62 581 863**	**88 540 652**	**25 958 789**	
Loss on disposal of assets and liabilities	(250 000)	-	**(250 000)**	(173 105)	**76 895**	
Surplus/Deficit	**61 599 331**	**732 532**	**62 331 863**	**88 367 547**	**26 035 684**	

Molemole Local Municipality

(Registration number LIM353)
Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Total Current Assets	141 634 636	30 857 919	**172 492 555**	164 485 290	**(8 007 265)**	(5)%-44.17
Total Non-Current Assets	343 946 323	732 531	**344 678 854**	312 329 318	**(32 349 536)**	(9)%-44.18
Total Assets	**485 580 959**	**31 590 450**	**517 171 409**	**476 814 608**	**(40 356 801)**	
Total Current Liability	42 234 467	14 409 991	**56 644 458**	31 030 312	**(25 614 146)**	(45)%-44.19
Total Non-Current Liability	33 348 923	-	**33 348 923**	26 050 433	**(7 298 490)**	(22)%-44.20
Net Assets	**409 997 569**	**17 180 459**	**427 178 028**	**419 733 863**	**(7 444 174)**	
Reserves						
Revaluation reserve	50 470 958	-	**50 470 958**	47 707 170	**(2 763 788)**	(5)%-
Accumulated surplus	359 526 611	17 180 459	**376 707 070**	372 026 687	**(4 680 383)**	(1)%44.21
Community wealth/equity	**409 997 569**	**17 180 459**	**427 178 028**	**419 733 858**	**(7 444 171)**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2021

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	23 451 683	26 097 947	49 549 630	-		49 549 630	49 558 003		8 373	100 %	211 %
Service charges	13 663 019	-	13 663 019	-		13 663 019	11 061 887		(2 601 132)	81 %	81 %
Investment revenue	2 215 488	391 062	2 606 550	-		2 606 550	2 543 773		(62 777)	98 %	115 %
Transfers recognised - operational	156 595 650	28 795 550	185 391 200	-		185 391 200	185 288 434		(102 766)	100 %	118 %
Other own revenue	40 739 332	(29 292 231)	11 447 101	-		11 447 101	7 813 641		(3 633 460)	68 %	19 %
Total revenue (excl capital transfers	**236 665 172**	**25 992 328**	**262 657 500**	**-**		**262 657 500**	**256 265 738**		**(6 391 762)**	**98 %**	**108 %**
Employee costs	(98 165 079)	(237 324)	(98 402 403)	-	-	(98 402 403)	(91 626 639)	-	6 775 764	93 %	93 %
Remuneration of councillors	(15 010 262)	-	(15 010 262)	-	-	(15 010 262)	(12 959 102)	-	2 051 160	86 %	86 %
Debt impairment	(6 099 772)	(3 000 000)	(9 099 772)			(9 099 772)	(8 871 388)	-	228 384	97 %	145 %
Depreciation and asset impairment	(18 672 046)	390 294	(18 281 752)			(18 281 752)	(12 114 550)	-	6 167 202	66 %	65 %
Finance charges	(2 183 605)	5 652	(2 177 953)	-	-	(2 177 953)	(183 629)	-	1 994 324	8 %	8 %
Materials and bulk purchases	(11 037 708)	-	(11 037 708)	-	-	(11 037 708)	(11 026 473)	-	11 235	100 %	100 %
Other expenditure	(73 083 719)	(18 786 064)	(91 869 783)	-	-	(91 869 783)	(77 379 004)	-	14 490 779	84 %	106 %
Total expenditure	**(224 252 191)**	**(21 627 442)**	**(245 879 633)**	**-**	**-**	**(245 879 633)**	**(214 160 785)**	**-**	**31 718 848**	**87 %**	**95 %**
Surplus/(Deficit)	**12 412 981**	**4 364 886**	**16 777 867**	**-**		**16 777 867**	**42 104 953**		**25 327 086**	**251 %**	**339 %**

Comparison of Budget and Actual Amounts for the year ended 30 June 2021

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	49 186 350	(3 632 354)	45 553 996	-		45 553 996	45 027 639		(526 357)	99 %	92 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	1 234 955		1 234 955	100 %	100 %
Surplus (Deficit) after capital transfers	**61 599 331**	**732 532**	**62 331 863**	**-**		**62 331 863**	**88 367 547**		**26 035 684**	**142 %**	**143 %**
Cash flows											
Net cash from (used) operating	60 052 575	-	297 542 535	-		297 542 535	115 606 054		(181 936 481)	39 %	193 %
Net cash from (used) investing	(61 599 331)	(732 531)	(732 531)	-		(732 531)	(48 821 553)		(48 089 022)	6 665 %	79 %
Net cash from (used) financing	1 100 279	-	-	-		-	(251 668)		(251 668)	100 %	(23)%
Net increase/(decrease) in cash and cash equivalents	**(446 477)**	**(732 531)**	**296 810 004**	**-**		**296 810 004**	**66 532 833**		**(230 277 171)**	**22 %**	**(14 902)%**
Cash and cash equivalents at the beginning of the year	18 861 754	(18 861 754)	6 194 295	-		6 194 295	23 010 966		16 816 671	371 %	122 %
Cash and cash equivalents at year end	**18 415 277**	**(19 594 285)**	**303 004 299**	**-**		**303 004 299**	**89 543 799**		**213 460 500**	**30 %**	**486 %**

Accounting Policies

1. Presentation of 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 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.

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

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

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

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

1.3 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors 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.

Accounting Policies

1.4 Use of Estimates

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.
The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

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.
The municipality has identified all its capital assets excluding Investment Property, as non-cash generating assets as it is the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

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 xx

Inventories

Unsold properties are taken at fair value on the date when the intention to dispose land has arisen to the inventory from investment property on initial recognition.

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.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Residual value

The estimated value of an asset at the end of its useful life, or the value that remains at the end of the analysis period where the asset useful life exceed.

1.5 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. However, where an investment property was acquired through a non-exchange transaction (i.e. where municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

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.

Transfers are made to or from investment property only when there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided to write down the cost, less estimated residual value 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.

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

1.6 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 reporting 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 or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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.

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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as 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.

The following accounting procedures will be followed when the land and buildings properties are re-valued at an amount that exceeds the current value carried in the Financial Statements:

Accounting Policies

- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.
- The carrying value on the Balance Sheet will be adjusted to the revalued amount of the fixed property.
- The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

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

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

Item	**Average useful life**
Infrastructure Assets	
• Electricity	
• Power Stations	10-40 Years
• Cooling Towers	30-40 Years
• Transformer Kiosks	10-44 Years
• Meters	15-30 Years
• Load Control Equipment	20-25 Years
• Switchgear Equipment	20-25 Years
• Supply /reticulation	20-25 Years
• Mains	20-30 Years
• Street Lights	10-40 Years
• High mast Lights	10-40 Years
Roads	
• Motorways	09-100 Years
• Other Roads	10 Years
• Traffic Islands	10 Years
• Traffic Lights	20 Years
• Road furniture / Signs	05-20 Years
• Street Lighting	10-40 Years
• Overhead Bridges	30 Years
• Storm Water Drains	10-30 Years
• Bridges and Subway	30 Years
• Car Parks	20 Years
• Bus Terminals	20 Years
• Pipes	10-30 Years
• Catch Pit	20-25 years
• Sign Boards	05-20 Years
• Concrete Drift	10-20 Years
• Guardrails	15-50 Years
• Kerbing	10-30 Years
• Speed Hump	05-20 Years

Accounting Policies

• Culverts/ Low Level Bridge	05-30 Years
• Stone Pitching	05-15 Years
• Roads Studs	05-15 Years
• **Water**	0
• Meters	15 Years
• Mains	20 Years
• Rights	20 years
Supply/ Reticulation	20 Years
• Reservoirs and Tanks	05-100 years
• Rights (that is the right to draw water from particular source and source belong to another party)	20 years
• Boreholes	05-10 Years
• **Sewarage**	0
• Sewers	20 Years
• Outfall Sewer	20 Years
• Purification Work	20 years
• Sewerage Pumps	10 years
• Slugde Machine	10 Yeass
Community Assets	
• **Buildings**	0 years
• Ambulance Station	30 Years
• Care Centres	30 Years
• Cementries	30 years
• Clinic and Hospitals	30 years
• Community Centre	10-30 Years
• Fire Stations	30 Years
• Game Reserve and Rest Camps	30 Years
• Indoor Sport Stadium	30 years
• Libraries	30 Years
• Museum and Art Galleries	30 Years
• Parks	20-30 Years
• Public Convenience	30 Years
Recreation Centres	20-30 Years
• Stadiums (Ground field and grand stand)	20-30 Years
• Old Age homes	30 years
• Taxi Ranks	30 Years
Covered taxi bays	22-30 Years
• Passenger Shelter	22-30 Years
• **Recreational Assets**	
• Bowling Greens	20-30 Years
• Tennis Courts	20-30 Years
• Swimming Pool	20-30 Years
• Golf Course	20-30 Years
• Stadiums (Ground Field and Grand Stand)	20-30 Years
• Jukskei Pitches	20-30 Years
• Outdoor Sport Facilities	20-30 Years
• Lakes and Dams	20-30 Years
• Fountains	15-30 Years
• Floodlighting	20-30 Years
• Cricket Field	20-30 Years
• Fencing (Mesh and Palisade Fence)	05-30 Years
• Security Systems	05-10 Years
• Access Control	05-30 Years
• **Buildings**	
• Caravan Parks	30-40 Years
• Compacting Stations	30-40 Years
• Housing Schemes	30-40 Years
• Laboratories	30-40 Years
• Nurseries	30-40 Years
• Office Buildings	30-40 Years
• Quarries	30-40 Years
• Stores	30-40 Years

Accounting Policies

- Tip Sites 30-40 Years
- Training Centres 30-40 Years
- Transport Facilities 30-40 Years
- Workshops and Depots 30-40 Years
- Guard Room Wooden 02-20 Years
- Mobile Offices 30-40 Years
- Pavements 10-40 Years
- Gazebo Shades 03-20 Years
- Market Stalls 30-40 Years
- Computer Hardware 03-15 Years
- Computer Software 03-10 Years
- Office Machines 03-15 Years
- Air Conditioners 03-15 Years
- Banners 03-05 Years
- Fire Extinguishers 03-10 Years
- Photocopy Machines over R50 000 05-10 Years
- Other Photocopy Machines 03-12 Years
- Fax Machines 03-10 Years
- Plotters 08-20 Years
- Chairs 03-20 Years
- Tables 03-20 Years
- Desks 03-20 Years
- Cabinets 03-20 Years
- Cupboards 03-20 Years
- Fire Cabinets 03-20 Years
- Miscellaneous 03-20 Years
- Shelve Racks 03-20 Years
- Stove and Fridge 03-20 Years
- Urn and Kettle 03-20 Years
- Bulk Containers 10-12 years
- Street Litter Bins 05-07 Years
- Fire 15 Years
- Ambulances 10 Years
- Fire Hoses 05-10 Years
- Emergency Lights 10-15 Years
- Fire Engines 10-12 Years
- Motor Vehicles 03-20 Years
- Motor Cycles 05-07 Years
- Trucks / Bakkies 03-20 Years
- Trailers 03-20 Years
- Graders 03-20 Years
- Tractors 03-20 Years
- Mechanical Horses 07 Years
- Farm Equipment and Pesticide Sprayers 05 Years
- Lawnmowers 02-10 Years
- Brush Cutters 04-10 Years
- Compressors 10-12 years
- Laboratory Equipment 05 Years
- Radio Equipment 05 Years
- Fire Arms 25-30 Years
- Telecommunication Equipment 05 Years
- Irrigation Systems 07 Years
- Conveyors 07 Years
- Feeders 08-12 Years
- Tippers 05-10 Years
- Slashers 05-15 Years
- Ladder 10-20 Years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

1.7 Intangible assets

Initial Recognition

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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:

Item	**Useful life**
Computer software, other	3 years

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Assets are resources controlled by a municipality as a result of past events as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality between knowledgeable willing parties in an arms lengthe transaction.

Heritage assest are assets that have cultural ,enviromental, historical ,natural ,scientific ,technological or artistic sinificance and are held indefinitley 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 inalienable item is as asset that an municipality is required by law or otherwise to retain indefinitly an 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 assets fair value less.

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, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

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

Derecognition

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

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

derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses. Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the 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.

1.9 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement - Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest. Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

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

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Impairment Loss

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

The municipality determine impairment of trade receivables in accordance with the debt write off policy.

Accounting Policies

Trade Payables and Borrowings

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

Cash and Cash Equivalents

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

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

1.10 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate 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 expenses over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the 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.

1.11 Inventories

Initial measurement:

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then

their costs are their fair value as at the date of acquisition.

Consumables:

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally 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 manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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 acquired.

Subsequent Measurement

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

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

Inventories comprise current assets held for sale or for consumption during the ordinary course of business and are measured at the lower of cost and current replacement cost where they are held for;

a) distribution at no charge or for a nominal charge; or

b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

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

The basis for allocating cost to inventory items is the first in first out (FIFO) method.

1.12 Employee benefits

Short-term employee benefits

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post Retirement Medical Obligation

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 70% of the contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Accounting Policies

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the relevant employee. Accumulated leave is carried forward and can be used in future periods if the current employee. period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

Staff Bonusses Accrued

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

Provision for Performance Bonusses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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 a 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

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 53.

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.

Accounting Policies

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied: the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods; the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by a variety of methods. Depending on the nature of the transaction, the methods may include:

surveys of work performed;

Services performed to date as a percentage of total services to be performed;

the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Accounting Policies

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners. Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transfer or.

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. 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 nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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.

Accounting Policies

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is when it is probable that the future economic benefits will flow to the municipality and the amount can be measured reliably.

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

Government grants

Government grants are recognised as revenue when:

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

The municiplaity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.16 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 (deficit) 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.

1.17 Investment income

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

1.18 Unauthorised expenditure

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Unauthorised expenditure is disclosed in a note to the Annual Financial Statements.

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, unless if it is recoverable (i.e. receivable), it will be raised as an asset in the Statement of Financial Position. 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.

Fruitless and wastefull expenditure will be de-recognised as soon as the nature of the fruitless and wastefull expenditure has been submitted to Council and a formal Council decision has been taken to condone the expenditure. The Fruitless and Wastefull expenditure is disclosed in a note to the Annual Financial Statements.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

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

1.21 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 cash basis and presented by economic 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 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.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the municipality sphere of government are considered to be related parties.

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

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

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

1.23 Retirement Benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

Accounting Policies

1.24 Impairment of Assets

The municipality assesses at each reporting date whether there is any indication that an 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 municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.25 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.

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

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

1.26 Value Added Tax

Vat is claimable on payment basis.

Accounting Policies

1.27 Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- impairment losses; and
- amounts derecognised.

1.28 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.

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.

Recognition

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.

2. New standards and interpretations

Standard/Interpretation	Effective Date	Expected impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2021	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	1 April 2021	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	1 April 2021	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	1 April 2021	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	1 April 2021	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	1 April 2021	Unlikely there will be a material impact
• IGRAP 1 Applying the probability test on initial recognition of revenue	1 April 2021	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	1 April 2021	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2021	Unlikely there will be a material impact

3. Investment property

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	2 091 000	(476 665)	1 614 335	2 091 000	(433 332)	1 657 668

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	1 657 668	(43 333)	1 614 335

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	1 701 001	(43 333)	1 657 668

Included in investment property are the following	**Cost**	**Accumulated Depreciation**	**Carrying Value**
2021	R -	R -	R -
Land	791 000	-	791 000
Buildings	1 300 000	(476 665)	823 335
	2 091 000	**(476 665)**	**1 614 335**
2020	-	-	-
Land	791 000	-	791 000
Buildings	1 300 000	(433 332)	866 668
	2 091 000	**(433 332)**	**1 657 668**

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	25 701 828	-	25 701 828	25 701 828	-	25 701 828
Buildings	33 733 650	(5 079 406)	28 654 244	33 733 651	(3 867 334)	29 866 317
Infrastructure	185 638 916	(32 331 917)	153 306 999	153 224 279	(25 777 425)	127 446 854
Community	64 896 988	(6 186 113)	58 710 875	31 375 342	(5 062 538)	26 312 804
Other property, plant and equipment	55 564 307	(25 065 029)	30 499 278	49 190 271	(22 218 302)	26 971 969
Financed leased Assets	-	-	-	652 853	(375 884)	276 969
Work in Progress	13 461 461	-	13 461 461	35 727 546	-	35 727 546
Total	**378 997 150**	**(68 662 465)**	**310 334 685**	**329 605 770**	**(57 301 483)**	**272 304 287**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions work in progress	Disposals	Transfers in/out	Depreciation	Total
Land	25 701 828	-	-	-	-	-	25 701 828
Buildings	29 866 317	-	-	-	-	(1 212 072)	28 654 244
Infrastructure	127 446 854	32 414 637	-	-	-	(6 554 492)	153 306 999
Community	26 312 804	3 417 960	-	-	30 103 686	(1 123 573)	58 710 875
Other property, plant and equipment	26 971 969	6 386 309	-	-	-	(2 858 999)	30 499 278
Finance Leased Assets	276 969	-	-	(173 105)	-	(103 863)	1
Work in progress	35 727 546	-	7 837 602	-	(30 103 686)	-	13 461 461
	272 304 287	**42 218 906**	**7 837 602**	**(173 105)**	**-**	**(11 852 999)**	**310 334 686**

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions Work In Progress	Disposals	Transfers in/out	Revaluation	Depreciation	Impairment reversal	Total
Land	25 082 178	619 650	-	-	-	-	-	-	25 701 828
Buildings	28 708 392	94 250	-	-	2 472 195	-	(1 395 562)	(12 959)	29 866 317
Infrastructure	87 416 073	30 344 840	-	-	16 656 960	-	(6 971 019)	-	127 446 854
Community	27 777 622	-	-	-	-	80 909	(1 540 924)	(4 803)	26 312 804
Other property, plant and equipment	28 948 091	3 096 900	-	(160 711)	-	-	(4 900 040)	(12 271)	26 971 969
Finance Leased Assets	380 832	-	-	-	-	-	(103 863)	-	276 969
Work in progress	50 727 837	-	4 128 864	-	(19 129 155)	-	-	-	35 727 546
	249 041 025	**34 155 640**	**4 128 864**	**(160 711)**	**-**	**80 909**	**(14 911 408)**	**(30 033)**	**272 304 287**

Reconciliation of Work-in-Progress 2021

	Included in Infrastructure	Included in Community	Total
Opening balance	5 883 713	29 843 834	35 727 547
Additions/capital expenditure	7 577 749	259 852	7 837 601
Other movements [specify]	-	(30 103 686)	(30 103 686)
Transferred to completed items	-	-	-
	13 461 462	**-**	**13 461 462**

Included in the opening balance of WIP are assets that are taking longer to complete are as follows:

	2 021	2 020
Included in the opening balance of the WIP is Infrastructure(Cluster 3 Electrification Project)	5 883 713	5 883 713

Reason for delays

The project was initiated by the former Aganang Local Muncipality in 2016/2017 financial year. They also appointed the enigineer in the same year for the designs of the electrification of Cluster 3 as per Eskom requirements. When Aganag merged with Molemole Local Municipality the project was handed over to Molemole Local Municipality . In 2017/18 Financial

4. Property, plant and equipment (continued)

year Molemole Local Muncipality appointed a contractor for the Electrification of 7 villages in Cluster 3 , which is also known as Ward 16. The Contractor implemented the project with the exception of enerzing .Enerzing is Eskom's responsibility . Due to the hign backlog with Eskom they could not energize timously hence the project took longer than expected. The Asset then was never capitalized since it was never ready for use hence it remained as WIP. Eskom managed to energize and completed the process by 30 July 2021.

Reconciliation of Work-in-Progress 2020

	Included in Infrastructure	Included in Community	Included in Other PPE	Total
Opening balance	21 159 349	28 945 578	622 911	50 727 838
Additions/capital expenditure	1 381 324	898 256	1 849 284	4 128 864
Transferred to completed items	(16 656 960)	-	(2 472 195)	(19 129 155)
	5 883 713	**29 843 834**	**-**	**35 727 547**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2021	2020
Contracted services	18 193 948	6 280 208

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.

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 646 149	(3 646 152)	1	3 646 148	(3 427 935)	218 213

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	218 213	(218 218)	1

Reconciliation of intangible assets - 2020

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1 127 238	(760)	(908 264)	218 213

6. Heritage Assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	380 300	-	380 300	368 150	-	368 150

Reconciliation of heritage assets 2021

	Opening balance	Revaluation	Total
Mayoral Chain	368 150	12 150	380 300

Reconciliation of heritage assets 2020

	Opening balance	Total
Mayoral Chain	368 150	368 150

7. Non-Current Employee benefits

Post-employment Health Care Benefits

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;

Discovery;

LA Health;

Hosmed;

Samwumed; and

Keyhealth.

The Municipality's Accrued Unfunded Liability at 30 June 2021 is estimated at R10 100 000. The Current-service Cost for the year ending 30 June 2021 is estimated at R735 000. It is estimated to be R899 000 for the ensuing year.

Key actuarial assumptions used

	2021	2020
Rate of Interest		
Discount rate	10,62%	11.29%
Health Care Cost	7,15%	7.24%
Net effective Discount rate	3.24%	3.78%

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

	2021	2020
Carrying value		
Present value at Fund obligation at the begining of the year	7 683 000	9 070 610
Current Service Cost	735 000	860 460
Interest Cost	864 000	884 092
Benefits Paid	(50 745)	(46 488)
Actuarial (gains) / losses	868 745	(3 085 674)

Notes to the Financial Statements

Figures in Rand	2021	2020

7. Non-Current Employee benefits (continued)

	10 100 000	**7 683 000**
Non-current liabilities	(10 048 000)	(7 628 000)
Current liabilities	(52 000)	(55 000)
	(10 100 000)	**(7 683 000)**

8. Inventories

Stationary		
Opening balance	261 304	194 483
Purchased	878 576	1 123 555
Issued	(810 564)	(1 056 734)
Smart Meters		
Purchased	722 975	-
Closing balance	**1 052 291**	**261 304**

9. Receivables from exchange transactions

Consumer debtors - Electricity	403 456	472 581
Consumer debtors - Refuse	1 470 465	1 440 638
Consumer debtors - Other Service Charges	82 088	92 389
Sub Total - Receivables from Exchange Transactions	**1 956 009**	**2 005 608**
Rental debtors	257 263	257 263
CDM water debtor	328 075	434 144
Grand Total - Receivables from Exchange Transactions	**2 541 347**	**2 697 015**

9.1 Consumer Debtors - Service Charges Reconcilliation

	2021			2020		
	Gross Debtors	**Impairment**	**Nett Debtors**	**Gross Debtors**	**Impairment**	**Nett Debtors**
Electricity	3 832 660	(3 429 204)	403 456	3 607 562	(3 134 981)	472 581
Refuse	13 968 813	(12 498 348)	1 470 465	10 997 470	(9 556 832)	1 440 638
Other service Charges	779 792	(697 704)	82 088	705 274	(612 885)	92 389
Total	**18 581 265**	**(16 625 256)**	**1 956 009**	**15 310 306**	**(13 304 698)**	**2 005 608**

Consumer Debtors Ageing for 2021

	Current (0 - 30 days)	**31-60 days**	**61-90 days**	**+90 days**	**Total Gross Debtors**
Electricity	135 552	65 426	59 086	3 572 596	3 832 660
Refuse	544 460	267 274	264 706	12 892 373	13 968 813
Other Service Charges	13 194	6 516	11 114	748 968	779 792
Total	**693 206**	**339 216**	**334 906**	**17 213 937**	**18 581 265**

Notes to the Financial Statements

Figures in Rand	2021	2020

9. Receivables from exchange transactions (continued)

Consumer Debtors Ageing for 2020

	Current (0 - 30 days)	31-60 days	61-90 days	+90 days	Total Gross Debtors
Electricity	560 906	22 120	20 916	3 003 620	3 607 562
Refuse	444 595	217 374	214 891	10 120 610	10 997 470
Other Service Charges	13 028	6 466	6 434	679 346	705 274
Total	**1 018 529**	**245 960**	**242 241**	**13 803 576**	**15 310 306**

Consumer Debtors - Service Charges Impairment Reconcilliation

	2021			2020		
	Opening Balance Impairment	(Provisions)/ Reversal	Closing Balance Impairment	Opening Balance Impairment	(Provisions)/ Reversal	Closing Balance Impairment
Electricity	(3 134 981)	(294 223)	(3 429 204)	(2 966 011)	(168 970)	(3 134 981)
Refuse	(9 556 832)	(2 941 516)	(12 498 348)	(7 837 541)	(1 719 291)	(9 556 832)
Other Service Charges	(612 885)	(84 819)	(697 704)	(532 435)	(80 450)	(612 885)
Total	**(13 304 698)**	**(3 320 558)**	**(16 625 256)**	**(11 335 987)**	**(1 968 711)**	**(13 304 698)**

CDM Water Debtor Reconcilliation

CDM Water debtor	8 682 801	6 488 919
Less: 70 % Commission	(6 077 960)	(4 542 242)
Less: Impairment	(2 276 766)	(1 512 533)
	328 075	**434 144**

Refer to Principal Agent Disclosure in Note 41

10. Receivables from non-exchange transactions

Traffic Fines	1 571 520	1 442 612
Other debtors-XLP	3 127	146 457
Other debtors-Third Party Refunds	2 695 776	230 388
Other debtors-Under Banking	42 386	43 168
Consumer debtors -Property Rates	54 511 536	71 312 819
	58 824 345	**73 175 444**

10.1	Statutory Receivables included in receivables from Non - Exchange transactions are as follows:	2021	2020
	Property Rates	54 511 536	71 312 819

Local Goverment : Municipal Property Rates Act no 6 of 2004 provides the municipality with power to levy rates. Section 2 subsection 1 of the Act states that a metropolitian or local municipality must exercise its power to levy a rate on property subject to -(a) section 229 and any other applicable provision of the Constitution : (b) the provision of this Act ; and (c) the rates policy it must adopt in terms of section 3. The amounts are being determined through the calculations of the rates amounts by using the councill approved tarrif rate multiply by the municpal approved general /supplementary valuation roll figures. Interest is being charged at 10 % of the outstanding previous billed amount. Statutory receivables impaired is being conducted based on the number of payments made by customer and the long outstanding amounts which are 90 days plus

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Notes to the Financial Statements

Figures in Rand	2021	2020

10. Receivables from non-exchange transactions (continued)

Property Rates reconcilliation

	2021			2020		
	Gross Debtors	**Impairment**	**Nett Debtors**	**Gross Debtors**	**Impairment**	**Nett Debtors**
Agricultural properties	11 400 782	(10 200 647)	1 200 135	10 237 246	(8 896 195)	1 341 051
Bussiness and commercial	6 044 033	(5 407 791)	636 242	5 074 527	(4 409 777)	664 750
Farm properties	978	(875)	103	540	(469)	71
Government	51 381 241	-	51 381 241	67 978 787	-	67 978 787
Public service infrastructure	86 905	-	86 905	80 068	-	80 068
Residential development	11 207 071	(10 027 327)	1 179 744	9 320 894	(8 099 883)	1 221 011
Residential Vacant land	258 064	(230 898)	27 166	206 731	(179 650)	27 081
Total	**80 379 074**	**(25 867 538)**	**54 511 536**	**92 898 793**	**(21 585 974)**	**71 312 819**

Property Rates Ageing for 2021

	Current (0 - 30 days)	**31-60 days**	**61-90 days**	**+90 days**	**Total Gross Debtors**
Agricultural properties	218 543	109 168	109 104	10 963 967	11 400 782
Bussiness and commercial	329 837	143 202	132 587	5 438 407	6 044 033
Farm properties	75	36	36	831	978
Government	4 566 613	2 245 240	2 236 981	42 332 407	51 381 241
Public service infrastructure	1 145	572	572	84 616	86 905
Residential development	471 155	225 706	225 439	10 284 771	11 207 071
Residential Vacant land	11 356	5 386	5 352	235 970	258 064
Total	**5 598 724**	**2 729 310**	**2 710 071**	**69 340 969**	**80 379 074**

Property Rates Ageing for 2020

	Current (0 - 30 days)	**31-60 days**	**61-90 days**	**+90 days**	**Total Gross Debtors**
Agricultural properties	215 241	107 515	106 221	9 808 269	10 237 246
Bussiness and commercial	269 551	125 645	120 442	4 558 889	5 074 527
Farm properties	69	34	34	403	540
Government	2 297 395	1 136 564	1 122 698	63 422 130	67 978 787
Public service infrastructure	1 090	545	545	77 888	80 068
Residential development	421 419	201 682	199 397	8 498 396	9 320 894
Residential Vacant land	10 887	5 285	5 163	185 396	206 731
Total	**3 215 652**	**1 577 270**	**1 554 500**	**86 551 371**	**92 898 793**

10. Receivables from non-exchange transactions (continued)

Property Rates impairment reconcilliation

	2021			2020		
	Opening Balance Impairment	**(Provisions)/ Reversal**	**Closing Balance Impairment**	**Opening Balance Impairment**	**(Provisions)/ Reversal**	**Closing Balance Impairment**
Agricultural properties	(8 896 195)	(1 304 452)	(10 200 647)	(8 002 723)	(893 472)	(8 896 195)
Bussiness and commercial	(4 409 777)	(998 014)	(5 407 791)	(3 396 564)	(1 013 213)	(4 409 777)
Farm properties	(469)	(406)	(875)	(50)	(419)	(469)
Residential development	(8 099 883)	(1 927 444)	(10 027 327)	(6 991 113)	(1 108 770)	(8 099 883)
Residential Vacant land	(179 650)	(51 248)	(230 898)	(131 706)	(47 944)	(179 650)
Total	**(21 585 974)**	**(4 281 564)**	**(25 867 538)**	**(18 522 156)**	**(3 063 818)**	**(21 585 974)**

10.2	**Statutory Receivables included in receivables from Non Exchange transactions are as follows**	**2021**	**2020**
	Traffic Fines	1 571 520	1 442 612

Section 3 of National road traffic Act 93 of 1996 provide the municipality with an authority to appoint a traffic officer for inspection of licences , examining of vechiles ,examiner for driving licences. Criminal Procedure Act 51 1977 section 334 Minister may declare by notice in the person's peace officers for specific purposes (1) (a) The Minister may notice in the Gazette declare that any person wo by virtue of his office ,falls within any category defined in the notice shall within an area specified in the notice ,be a peace officer for the purpose of exercising with reference to any provision of this Act or any offence or any class of offences likewise specified the powers defined in the notice. The municipality appoints traffic officers as per Section 3 of the National Road Traffic Act 93 of 1996 which in turn an inspection of licences and road laws and regulations will be conduced and any offender will be charges if not incompliance with the legislated laws and regulations and a fine will be determined and realised as revenue /debtor. The impairmnet is conducted based on historical collections of the outstanding amounts

Traffic fines reconcilliation		
Gross balances - Fines	4 490 060	4 184 237
Less: Allowance for impairment		
Traffic Fines Opening Balance	(2 741 624)	(2 280 344)
Traffic fines (Provision) / Reversal	(176 916)	(461 281)
	1 571 520	**1 442 612**

11. VAT receivable

Vat Receivable	12 523 502	14 969 931

Figures in Rand	2021	2020

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand - Petty Cash	8 161	13 500
Bank balances - Cash Book balance	28 004 677	165 798
Short-term deposits	60 211 426	20 603 434
Purchasing account	88 363	-
Grants bank account	1 231 178	2 228 234
	89 543 805	**23 010 966**

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
Nedbank Primary Account 146 700 0442	28 040 783	(95 825)	7 575 698	28 004 677	165 798	7 558 915
Nedbank Grants Account 1013994825	1 231 258	2 228 313	3 938 888	1 231 178	2 228 234	3 938 808
Nedbank Call Investment Deposit	60 211 426	20 603 433	7 874 015	60 211 426	20 603 434	7 558 915
Nedbank Purchasing account	86 145	-	-	88 363	-	-
Total	**89 569 612**	**22 735 921**	**19 388 601**	**89 535 644**	**22 997 466**	**19 056 638**

13. Revaluation reserve

	2021	2020
Opening balance	47 695 020	47 614 111
Transfer in during the year	12 150	80 909
	47 707 170	**47 695 020**

14. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	-	283 009
	-	283 009
less: future finance charges	-	(31 333)
Present value of minimum lease payments	-	**251 676**
Present value of minimum lease payments due		
- within one year	-	251 668

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Lease Term	Maturity Date
XLP Document Solution	Photocopy machine	28,95%	3 Year	31-03-2021

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	96 479	1 106 249
Finance management grant	43 858	2 150
EPWP	41 553	-

Figures in Rand	2021	2020

15. Unspent conditional grants and receipts (continued)

	2021	2020
INEP	285 588	-
CDM - Integrated Transport Plan	108 614	108 614
COVID 19 Relief Fund	-	19 924
EE& DEMAND GRANT	161 273	-
	737 365	**1 236 937**

The Unspend grants are cash-backed by term deposits. The municipality complied with the conditions attach to all grants

received to the extend of revenue recognised. Please refer to note 32 for more detail on Unspend grants.

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Transfer (to) /from current portion	Actuarial(Gair s)/Loss	Total
Long service awards	3 753 999	721 000	(158 680)	(122 000)	78 606	4 272 926
Rehabilitation of Landfill Site	11 583 831	145 677	-	-	-	11 729 508
	15 337 830	**866 677**	**(158 680)**	**(122 000)**	**78 606**	**16 002 434**

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Transfer (to) /from current portion	Actuarial(Gair s)/Loss	Total
Long service awards	3 390 816	712 491	(424 737)	255 025	(179 596)	3 753 999
Rehabilitation of Landfill Site	11 416 299	167 533	-	-	-	11 583 831
	14 807 115	**880 024**	**(424 737)**	**255 025**	**(179 596)**	**15 337 830**

	2021	2020
Non-current liabilities	16 002 433	15 337 830
Current liabilities	325 000	206 000
	16 327 433	**15 543 830**

Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of

R 11 729 508 : 2021 (2020: R 11 583 831) to restore the site at the end of its useful life, estimated to be in the 2025 (soekmekaar landfil site) and 2032 (Dendron Landfill site) financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

Long Service Awards

The Long Service Awards is a liability in respect of Long service awards to emplyees. As at year end, 165 employees were eligible for Long Service Awards.

Key actuarial assumptions used:

Rate of interest		
Discount Rate	9,20%	7.59%
General Salary Inflation (Long term)	5.78%	4.13%
Net Effective discount Rate	3,23%	3.32%

The amounts recognised in the Statement of Financial Position are as follows:

Notes to the Financial Statements

Figures in Rand	2021	2020

16. Provisions (continued)

Present Value of Liability		
Balance	4 553 000	3 905 000
Net liability / (asset)	**4 553 000**	**3 905 000**

Reconciliation of present value of Liability:

Reconciliation fo present Value of liability		
Present value of liability at the beginning of the year	3 905 000	3 796 842
Total Expenses	567 583	287 754
Current servie cost	430 000	417 109
Interest Cost	291 000	295 382
Benefits paid	(153 417)	(424 737)
Actuarial Losses / Gain	80 417	(179 596)
Present value of Liability	4 553 000	3 905 000
less: Transfer of current portion	(273 000)	(151 000)
Balance at end of year	**4 280 000**	**3 754 000**

17. Other liability

Unallocated receipts	246 424	118 752
Salary suspense account	36 080	1 019
	-	-
	-	-
	282 504	**119 771**

18. Current Employee Benefits

The movement in current employee benefits are reconciled as follows:		
Current Portion of Long Service Provision	273 000	151 000
Current Portion of Medical aid Provision	52 000	55 000
Leave Provision for the year	9 421 531	7 998 405
Balance at end of year	**9 746 531**	**8 204 405**

The movement in Leave Provision are reconciled as follows:		
Balance at the beginning of the year	7 998 405	6 087 309
Contribution to current portion	1 835 352	2 399 744
Expenditure furing the year	(412 226)	(488 648)
Balance at end of year	**9 421 531**	**7 998 405**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Notes to the Financial Statements

Figures in Rand	2021	2020

19. Payables from exchange transactions

Trade payables	8 619 805	7 412 654
Payments received in advanced	3 184 274	5 935 218
Retention	5 332 892	3 874 700
Third Party Payments (Medical,Pension etc)	-	4 034 767
Electricity not used	372 142	312 447
CDM Creditor	360 280	742 017
Bonus	1 889 143	1 713 925
	19 758 536	**24 025 728**

20. Consumer deposits

Electricity	505 376	504 476
	505 376	**504 476**

21. Revenue

Service charges	11 061 887	10 503 009
Rental of facilities and equipment	254 993	254 705
Interest received - debtors	628 249	425 043
Agency services	718 633	683 390
Licences and permits	4 890 684	2 813 493
Other income	113 522	3 468 877
Interest received - investment	2 543 773	1 729 419
Property rates	49 558 003	20 010 884
Interest, Dividends and Rent on Land	714 069	487 735
Government grants & subsidies	230 316 073	182 145 339
Public contributions and donations	1 234 955	-
Fines, Penalties and Forfeits	493 491	909 431
	302 528 332	**223 431 325**

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

Service charges	11 061 887	10 503 009
Rental of facilities and equipment	254 993	254 705
Interest received - debtors	628 249	425 043
Agency services	718 633	683 390
Licences and permits	4 890 684	2 813 493
Other income	113 522	3 468 877
Interest received - investment	2 543 773	1 729 419
	20 211 741	**19 877 936**

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

Taxation revenue - Property rates	49 558 003	20 010 884
Interest, Dividends and Rent on Land	714 069	487 735
Transfer revenue - Government grants & subsidies	230 316 073	182 145 339
Public contributions and donations	1 234 955	-
Traffic Fines, penalties and forfeits	493 491	909 431
	282 316 591	**203 553 389**

Notes to the Financial Statements

Figures in Rand	2021	2020

22. Service charges

Sale of electricity	8 433 035	8 284 596
Refuse removal	2 628 852	2 218 413
	11 061 887	**10 503 009**

23. Rental of facilities and equipment

Premises		
Cattle Grazing	40 312	43 334
Community Assets	214 681	211 371
	254 993	**254 705**

24. Fines, Penalties and Forfeits

Traffic Fines	486 700	902 900
Illegal Connections Fines	6 791	6 459
Other Fines, Penalties and Forfeits	-	72
	493 491	**909 431**

25. Licences and permits (exchange)

Road and Transport	4 890 684	2 813 493

26. Interest received - debtors

Service Charges	30 694	29 616
Waste Management	253 938	198 907
Electricity	214 766	196 520
CDM Water and Sanitation	128 851	-
	628 249	**425 043**

27. Interest from non-exchange receivables

Interest Received-Service Debtors	714 069	487 735

28. Commission Received

Commission Received	718 633	683 390

The municipality only recognise 30% of its revenue billed for the year as commision received. The other 70% is being paid against the CDM debtors as per the service level agreement between CDM and the municipality

29. Other income

Building Plan Approvals	2 706	15 474
Clearance certificates	5 674	13 118
Actuarial Gains	-	3 265 270
Skills development refund	80 361	144 437
Sundry income	152	17 530
Grave Fees	18 284	7 269
Library Membership fees	-	100
Town Planning Fees	6 345	5 679
	113 522	**3 468 877**

Notes to the Financial Statements

Figures in Rand	2021	2020

30. Interest received - external investment

Interest revenue		
Interest received - External investments	2 543 773	1 729 419

31. Property rates

Rates Billed

Residential	2 505 113	2 146 083
Commercial	1 795 412	1 619 278
State	43 829 530	14 843 900
Municipal	-	1 040
Small holdings and farms	1 421 572	1 394 562
Public service infrastructure	6 376	6 021
	49 558 003	**20 010 884**

Valuations

Residential	442 455 000	443 997 000
Commercial	121 101 000	120 201 000
State	682 724 000	454 884 000
Municipal	23 761 000	23 761 000
Small holdings and farms	1 721 685 000	1 847 800 000
Public service infrastructure	4 381 000	4 381 000
	2 996 107 000	**2 895 024 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

32. Government grants and subsidies

Operating grants		
Equitable share	179 962 122	142 577 970
Municipal Infrastructure Grant	1 707 718	1 751 670
FMG - Finance Management Grant	2 356 147	2 400 849
Expanded Public Works Program	1 262 447	1 167 000
Covid 19 Grant	-	338 076
	185 288 434	**148 235 565**
Capital grants		
EE & Demand side Grant	2 538 227	-
INEP	8 714 412	-
MIG - Municipal infrastructure grant	33 775 000	33 909 774
	45 027 639	**33 909 774**
	230 316 073	**182 145 339**

Notes to the Financial Statements

Figures in Rand	2021	2020

32. Government grants and subsidies (continued)

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	50 353 951	39 567 369
Unconditional grants received	179 962 122	142 577 970
	230 316 073	**182 145 339**

Equitable Share

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.

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 106 249	1 616 693
Current-year receipts	34 504 000	35 151 000
Conditions met - transferred to revenue	(1 707 718)	(1 751 670)
Other	(33 775 000)	(33 909 774)
Adjustments/Returned to National revenue fund	(31 052)	-
	96 479	**1 106 249**

Conditions still to be met - remain liabilities (see note 15).

Finance Management Grant

Balance unspent at beginning of year	2 150	225 669
Current-year receipts	2 400 000	2 403 000
Conditions met - transferred to revenue	(2 356 147)	(2 400 849)
Adjustments/Returned to National revenue fund	(2 145)	(225 670)
	43 858	**2 150**

Conditions still to be met - remain liabilities (see note 15).

Finance management grant received with conditions to be met. The money returned to the national revenue fund is

because the municipality did not appoint the intern timiously.

INEP

Current-year receipts	9 000 000	-
Conditions met - transferred to revenue	(8 714 412)	-
	285 588	-

CDM - Mogwadi Community Hall grant received with conditions met.

EE& DEMAND SIDE GRANT

Current-year receipts	2 699 500	-
Conditions met - transferred to revenue	(2 538 227)	-
	161 273	-

Notes to the Financial Statements

Figures in Rand	2021	2020

32. Government grants and subsidies (continued)

Integrated Transport Plan

Balance unspent at beginning of year	108 614	108 614

Conditions still to be met - remain liabilities (see note 15).

Integrated transport plan grant received with conditions to be met.

Expanded Public Works Program

Current-year receipts	1 304 000	1 167 000
Conditions met - transferred to revenue	(1 262 447)	(1 167 000)
	41 553	**-**

Conditions still to be met - remain liabilities (see note 15).

Expanded public works program grant received with conditions met.

MSIG

Balance unspent at beginning of year	-	283 300
Other	-	(283 300)
	-	-

COVID 19 Relief fund

Balance unspent at beginning of year	19 924	-
Current-year receipts	-	358 000
Conditions met - transferred to revenue	-	(338 076)
Other	(19 924)	-
	-	**19 924**

Unspent conditional grants and receipts	**737 365**	**1 236 937**

33. Public contributions and donations

CDM Donation	1 234 955	-

Notes to the Financial Statements

Figures in Rand	2021	2020

34. Employee related costs

Basic Salary	55 855 831	53 023 681
PMU - MIG Salaries	1 707 718	1 709 823
Bonus	4 455 561	5 333 456
Medical aid - company contributions	4 453 754	4 127 159
UIF	302 391	296 950
Interns Salaries: FMG	460 698	419 386
Leave pay provision charge	1 835 353	2 399 744
Defined benefit plans	2 546 354	1 744 554
Travel, motor car, accommodation, subsistence and other allowances	6 129 301	5 168 038
Overtime payments	576 703	582 201
Long-service awards	721 000	712 491
Acting allowances	166 465	311 137
Housing benefits and allowances	191 113	194 793
Standby allowance	378 887	287 718
Laptop Allowance	458 045	471 501
Pension Funds - Company contribution	10 214 844	9 577 799
Telephone/Cellphone Allowance	1 153 316	1 107 676
Industrial/Bargaining Council	19 305	18 009
	91 626 639	**87 486 116**

Included in Long Service Awards are

Current Service Cost	430 000	417 109
Interest Cost	291 000	295 382
	721 000	**712 491**

Included in the Defined Benefit Contribution plan are

Actuarial Gain/Loss -Post retirement benefit	868 745	-
Actuarial Gain/Loss -Long Service Award	78 606	-
Interest Cost	735 000	860 460
Service Cost	864 000	884 092
	2 546 351	**1 744 552**

Remuneration of municipal manager

Annual Remuneration	856 125	856 125
Motor car , housing and other allowances	388 035	388 035
	1 244 160	**1 244 160**

The Municipal Manager is appointed on a 4years fixed contract starting 1 March 2018.

Remuneration of Chief Fnance Officer

Annual Remuneration	658 320	725 340
Motor car , housing and other allowances	332 763	354 659
Performance Bonuses	54 860	49 074
	1 045 943	**1 129 073**

The CFO is appointed on a 5 year contract starting on 01 September 2018.

Remuneration of Manager - Technical Services

Annual Remuneration	713 180	807 200
Motor car , housing and other allowances	332 763	365 105

Notes to the Financial Statements

Figures in Rand	2021	2020

34. Employee related costs (continued)

	1 045 943	**1 172 305**

The Manager Techhnical Services is appointed on a 5 year contract 1 April 2018

Remuneration of Manager Corporate Services

Annual Remuneration	735 790	728 541
Motor car , housing and other allowances	256 690	256 690
Performance Bonuses	59 432	60 712
	1 051 912	**1 045 943**

The Manager Corporate Services was appointed on a 5 year contract starting 01 April 2018.

Remuneration of Manager - Community Services

Annual Remuneration	713 180	775 860
Motor car , housing and other allowances	332 763	354 659
	1 045 943	**1 130 519**

The Manager Community Services was appointed on a 5 year contract starting 01 September 2018.

Remuneration of Manager - Local Economic Development

Annual Remuneration	207 371	-
Motor car , housing and other allowances	105 865	-
	313 236	**-**

The Manager Local Economic Development was appointed on a 5 year contract starting on 1 March 2021.

35. Remuneration of councillors

Executive Mayor	917 622	914 923
Chief Whip	702 410	699 710
Mayoral Committee Members	3 667 360	3 648 460
Speaker	745 451	742 752
Councillors	6 926 278	6 910 858
	12 959 121	**12 916 703**

36. Depreciation and amortisation

Property, plant and equipment	11 852 999	14 929 775
Investment property	43 333	43 333
Intangible assets	218 218	908 264
Impairment of Assets	-	30 034
	12 114 550	**15 911 406**

37. Finance costs

Finance Lease - Interest Paid	31 333	115 716
Other - Interest Paid	152 066	178 330
Fruitless and wastefull expenditure - Interest Paid	230	127 550
	183 629	**421 596**

Notes to the Financial Statements

Figures in Rand	2021	2020

38. Debt impairment

Debt impairment - Traffic Fines	176 916	562 210
Debt impairment - Provision	7 930 239	4 749 990
Debt impairment - provision - CDM	764 233	446 635
	8 871 388	**5 758 835**

39. Bulk purchases

Electricity - Eskom	11 026 473	10 107 196

40. Contracted services

Outsourced Services		
Administrative and Support Staff	12 062 863	12 729 428
Catering Services	371 520	522 006
Consultants and Professional Services		
Business and Advisory	7 226 954	7 280 571
Contractors		
Maintenance - property plant and equipment	18 193 948	6 280 208
Employee Wellness	1 264 153	524 977
	39 119 438	**27 337 190**

41. General expenses

Accomodation and meals	3 065 699	3 905 022
Advertising	866 745	640 933
Advertising : Recruitment	88 186	106 058
Auditors remuneration	3 925 776	3 313 350
Bank charges	306 786	244 036
Commission paid	5 731 405	1 339 840
CDM Commission expense	360 244	612 693
Cleaning Materials	1 173 763	593 131
Bursaries Employees	392 982	398 736
Servitude and land surveys	567 000	495 652
Transport - events	400 170	352 560
Entertainment	9 175	9 032
Insurance - General	847 711	611 845
Ward Committee Expenses	2 303 400	2 287 564
Environmental & Waste Management	1 424 455	1 218 232
Free Basic Electricity	4 102 463	4 243 039
Fuel and Oil: Municipal Fleet	1 934 850	2 246 401
Fuel and Oil: Other	2 859	1 992
Postage and Telephone	294 649	366 962
Printing, Publication & Marketing	654 093	765 223
Protective clothing	1 003 839	1 158 561
Licences - Vehicles	116 376	139 102
Internship programme	16 000	250 989
Membership Fees	3 253	6 469
Township establishment	727 421	681 011
Training SMME	545 000	13 575
Affiliation & Membership Fees : SALGA	1 322 335	914 865
Subscriptions and Systems Licencing	1 783 603	1 619 778
Training and Conferences	2 317 441	1 844 333
Public Participation	90 000	465 322
Rental Office Machines : Usage	156 280	83 628

Notes to the Financial Statements

Figures in Rand	2021	2020

41. General expenses (continued)

Tracking device system	76 039	81 894
Stationery	811 737	1 030 995
Skills development Levy	664 726	641 510
	38 086 461	**32 684 333**

42. Principals and Agents

- The Municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services.

42.1 Capricorn District Municipality

	2 021	**2 020**
No Resources (assets/liabilities recognise by the municipality that are held /incurred on behalf of the principal)		
Revenue recognised as compensation for the transactions carried on behalf of the principal	718 633	683 390
Revenue recieved or to be received on behalf of the principal	2 708 517	2 577 685
No expenditure paid or incurred on behalf of the principal		
Receivables held on behalf of the principal		
Opening Balance	6 488 918	4 971 257
Revenue receivable	2 708 517	2 577 685
Amount written -off ,settlements or waivers of amounts due		
Amounts received	514 634	1 060 025
Closing Balance	8 682 801	6 488 918
Payables held on behalf of the principal	-	-
Opening Balance	742 017	983 031
Expensed incurred	360 280	742 017
Cash Paid	742 017	983 031
Closing Balance	360 280	742 017

The Municipality retaining 30 % on the revenue Collected from water Services and Sanitation for the duration of the Contract . 70 % of the revenue collected and to be collected from water services and sanitation shall be paid over to the district . (CDM) for the duration of the contract . The rights ,duties and obligations of the parties in terms of the agreement are limited to the provision of water and annually services .The scope of the agreement is limited to the water service areas , all the assets regarding the Provision of water are owned and mantained by the district CDM

- The Municipality is involved in an agency relationship with Department of Transport for the issuing of licences.

41.2 Department of Transport

No Resources (assets/liabilities) recognise by the municipality that are held/incurred on behalf of a principal		
Revenue recognised as compensation for the transactions carried out on behalf of the principal	4 890 684	3 123 723
Revenue received or to be received on behalf of the principal		
Expenditure paid or incurred n behalf of the principal	7 576 897	4 465 799
No Receivables held on behalf of the principal		
No Payables jeld on behalf of the principal		

The Municipality retain 20% Comission on licencing of motor vechiles and 80 % is being transfered to the Department of Road and Trasnport on monthly basis . Traffic Fine revenue is control and 100% earned by the municipality .

Notes to the Financial Statements

Figures in Rand	2021	2020

43. Related Parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents

Compensation to accounting officer and other key management

	2021	2020
Remuneration	18 706 258	18 638 704
	18 706 258	**18 638 704**

Key management information

Remuneration of Municipal Manager		
Annual Remuneration	856 125	856 125
Motor Car, Housing and other allowances	388 035	388 035
	1 244 160	**1 244 160**

Remuneration of Chief Financial Officer		
Annual Remuneration	658 320	725 340
Motor Car, Housing and other allowances	332 763	354 659
Bonus	54 860	49 074
	1 045 943	**1 129 073**

2021

Remuneration of individual Executive Directors	Local Economic Development(March 2021- June 2021	Technical Services	Corporate Services	Community Services
Annual remuneration	207 371	713 180	735 790	713 180
Performance and other bonuses	-	-	59 432	-
Motor car, Housing , and other allowances	105 865	332 763	256 690	332 763
	313 236	**1 045 943**	**1 051 912**	**1 045 943**

2020

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual Remuneration	-	807 200	728 541	775 860
Motor car, Housing , and other allowances	-	365 106	256 690	354 659
Bonus	-	-	60 712	-
	-	**1 172 306**	**1 045 943**	**1 130 519**

Figures in Rand	2021	2020

43. Related Parties (continued)

2021
Remuneration of Councillors

	2021
Mayor ME Paya Remuneration ,pension ,cellphone allowance and housing allowance	917 622
Chief Whip (E M Rathaha) Remuneration ,pension ,cellphone allowance and housing allowance	702 410
Speaker (M S Moreroa) Remuneration ,pension ,cellphone allowance and housing allowance	745 452
Councillors Allowance and remuneration	10 593 637
	12 959 121

Related party per Councillor	Basic Salary	Allowances	Total 2021
ME Paya (Mayor)	645 644	271 978	917 622
M S Moreroa (Speaker)	516 516	228 936	745 452
E M Rathaha (Chief Whip)	484 235	218 175	702 410
P T Rathete (MPAC)	262 214	131 805	394 019
M Tawana (Exco)	270 145	134 448	404 593
N F Rampyapedi (Exco)	484 235	205 812	690 047
M D Meso (Exco)	270 145	134 448	404 593
N W Seakamela (Exco)	484 235	205 812	690 047
D Lehong (Exco)	484 235	205 812	690 047
D Matlou	204 323	112 507	316 830
N G Makgalo	175 944	96 881	272 825
Mp Makgato	204 323	112 507	316 830
C Matjee	204 323	112 507	316 830
A Makgoka	204 323	112 507	316 830
M Malema	204 323	112 508	316 831
M Duba	262 214	131 805	394 019
Kobo	204 323	112 508	316 831
P T Rakimane	204 323	112 508	316 831
M I Mohafe	204 323	112 508	316 831
R L Mpati	204 323	112 508	316 831
M J Manthata	204 323	112 508	316 831
P S Masoga	204 323	112 508	316 831
M J Leferela	204 323	112 508	316 831
N S Ramukhubedi	204 323	112 508	316 831
S E Kobola	204 323	112 508	316 831
T Raphaswana	204 323	112 508	316 831
L Moabelo	204 323	112 508	316 831
G M Sepheso	204 323	112 508	316 831
M D Marutha	204 323	112 508	316 831
M P Tloubatatla	204 323	112 508	316 831
S R Nakana	204 323	112 508	316 831
N MHopane	204 323	112 508	316 831
	8 630 545	**4 328 576**	**12 959 121**

Notes to the Financial Statements

Figures in Rand	2021	2020

43. Related Parties (continued)

2020
Remuneration of Councillors

Mayor(ME Paya) Remuneration ,pension ,cellphone allowance and housing allowance	914 922
Speaker (M S Moreroa) Remuneration ,pension ,cellphone allowance and housing allowance	742 752
Chief Whip (E M Rathaha) Remuneration ,pension ,cellphone allowance and housing allowance	699 710
Councillors allowance and remuneration	10 559 319
	12 916 703

Related party per Councillor	Basic Salary	Allowances	Total 2020
ME Paya (Mayor)	645 644	269 278	914 922
M S Moreroa (Speaker)	516 516	226 236	742 752
E M Rathaha (Chief Whip)	484 235	215 475	699 710
P T Rathete (MPAC)	262 214	129 105	391 319
M Tawana (Exco)	270 145	131 747	401 892
N F Rampyapedi (Exco)	484 235	203 111	687 346
M D Meso (Exco)	270 145	131 747	401 892
N W Seakamela (Exco)	484 235	203 111	687 346
D Lehong (Exco)	484 235	203 111	687 346
D Matlou	204 323	109 807	314 130
N G Makgalo	204 323	109 807	314 130
Mp Makgato	204 323	109 807	314 130
C Matjee	204 323	109 807	314 130
A Makgoka	204 323	109 807	314 130
M Malema	204 323	109 807	314 130
M Duba(Section 79)	262 214	129 104	391 318
Kobo	204 323	109 807	314 130
P T Rakimane	204 323	109 807	314 130
M I Mohafe	204 323	109 807	314 130
R L Mpati	204 323	109 807	314 130
M J Manthata	204 323	109 807	314 130
P S Masoga	204 323	109 807	314 130
M J Leferela	204 323	109 807	314 130
N S Ramukhubedi	204 323	109 807	314 130
S E Kobola	204 323	109 807	314 130
T Raphaswana	204 323	109 807	314 130
L Moabelo	204 323	109 807	314 130
G M Sepheso	204 323	109 807	314 130
M D Marutha	204 323	109 807	314 130
M P Tloubatatla	204 323	109 807	314 130
S R Nakana	204 323	109 807	314 130
N MHopane	204 323	109 807	314 130
	8 658 924	**4 257 779**	**12 916 703**

44. Budget vs Actual comparrison variances explanations above 5% and budget adjustment reasons

44.1 Service Charges - Sale of Electricity
Actual Variances above 5%
The municipality has projected the use of electricity based on the consumption scale/units from Eskom and the realizable amount is based on the actual figure billed by the municipality.

44.2 Service Charges -Refuse Removal
Actual Variances above 5%.
The initail budget was conducted based on the historical amount not in consideration of the number of fluctuation in relation from the number of household.

44.3 Interest received - debtors
Actual Variances above 5%.

44. Budget vs Actual comparrison variances explanations above 5% and budget adjustment reasons (continued)

The municipality has collected 107% of the revenue billed in the current financial year in which the allocation of the amount paid by customers was allocated to the initial long outstandinf debt as per the financial system recognition criteria

Budget adjustment explanations

The increase in tariffs and the slow payment of debtors in other categories lead to the increase on the interest amount being charged

44.4 Licences & Permits

Actual Variances above 5%.

Challenges regarding the pandemic had an impact on the collection of revenue special on law enforcement and traffic and licensing transactions as the traffic stations wre required to close in several occasions by the goverment announcement and the identification of the pandemic cases from the respective stations

44.5 Other Income

Actual Variances above 5%

Most of the municipal activities were also not moving at the initial anticipated level as community members were not visiting the municipality on regulary bases bases for the approval of business plans transfering of properties and town planning activities as they were impacted by the Covid-19 Challenges.

Budget adjustment explanations

The municipality removed the sale of stands budget in the past including the first six months could not sell, this creates uncertainty on the expected revenue in the current financial year. The Incidental cash surpluses was also reduced since there was no certainty that the amount will be realized.

44.6 Traffic fines, penalties and forfeits

Actual Variances above 5%

TheChallenges regarding the pandemic had an impact on the collection of revenue special on law enforcement and traffic and licensing transactions as the traffic stations were required to close in several occasions by the goverment announcement and due to cases identified in relation to the pandemic

Budget adjustment explanations

The decrease is as a results of retention forfeits. The municipality is not planning to terminate any contract as a result, we will not receive this revenue source before the end of the financial year, thus reduced

44.7 Interest received - external investment

Budget adjustment explanations

The municipality is expecting more interest on investments before the financial year as we have increased and diversified our investment portfolio with both Fixed and Call type of investments.

44.8 Property Rates

Budget adjustment explanations

Benchmarking exercise lead the increase in government tariffs with the combination of the percentage increase from the guidelines and circular. In the first six months of the year there has been a high collection on the government rates as all their properties have been verified and this position is expected to be stable for the remainder of the year.

44.9 Goverment grants & subsidies

Budget adjustment explanations

An increase is as a result of an approved rollover for Mohodi sports complex from national treasury in 2019/20 financial year

44.10 Employee Related Cost

Actual Variances above 5%

Vacant post not filled that was budgeted for

Budget adjustment explanations

Some of the benifits were under budgeted .

44. Budget vs Actual comparrison variances explanations above 5% and budget adjustment reasons (continued)

44.11 Remuneration of councillors
Actual Variances above 5%
The councillors did not recieve the upper limits as budgeted for during the financial year 2021

44.12 Depreciation and amortisation
Actual Variances above 5%
`The municipality anticipated the the capital projects would be competed before year end.
Budget adjustment explanations
The municipality MIG capital funding was reduced which affected some of the capital projects that we budgted depreciation for.

44.13 Finance cost
Actual Variances above 5%
The service provider was appointed late in the 4th quater , hower the transaction was never realised for leasing as the equipment was not deliverd.
Budget adjustment explanations
The municipality realised by mid year that the expenditure in the finance cost was less than what we anticipated for.

44.14 Debt Impairment
Actual Variances above 5%
The municipality has collected 107% of the revenue billed in the current financial year in which the allocation of the amount paid by customers was allocated to the initial /long outstanding debt on the financial system and has initial had a reduction on the impairment
Budget adjustment explanations
The increase in tariff and slow payment in debtors lead to an increase in debt impairment to avoid unauthorized expenditure at year end

44.15 Contracted Services
Actual Variances above 5%
The contracted services expenditure on catering is much less than budget because of the COVID 19 pendemic which led to most meetings being held virtual.
Budget adjustment explanations
.Repairs and maintenance increased to cater for the infrastructure that has been damaged due to excessive rains in the last few months

44.16 General Expenses
Actual Variances above 5%
The amount spend on accomdation and travel is much less than budget due to lock down restrictions .
Budget adjustment explanations
1. Reclassification of PMS from CAPEX to OPEX
2. Unforeseen increase of Audit fees due to an extension caused by the delays as a result of COVID-19
3 An increase in the government property rates and high collection resulted in an increase in the commission paid.

44.17 Total Current Assets
Budget adjustment explanations
The increase is in current assets was because more funds were recieved from Equitable share which enabled the municipality to invest more funds.

44.18 Total Non Current Assets
Actual Variances above 5%
A project for the culverts could not be completed in the current financial year and it was rolled over to 2021/2022 financial year.
Budget adjustment explanations
The municipality capital budget was increased due to the MIG funding that was decreased and aready commitment was done on the projects. The municipality had to do special adjustment budget to cover for the commited expenditure to avoid unauthorized expenditure at year end.

Figures in Rand	2021	2020

44. Budget vs Actual comparrison variances explanations above 5% and budget adjustment reasons (continued)

44.19 Total Current Liability
Actual Variances above 5%
The Service Provider was appointed late in the 4th quater and the transaction never realised for the leasing as the equipment was never deliverd.
Budget adjustment explanations
The municipality had an increase in paybales due to increase in repairs and maintenance contracts to cater for infrasturcture that was damaged due to execive rain. An increase in the high collection of property rates led to an increases in commision payable.

44.20 Total Non Current Liability
Actual Variances above 5%
The Service Provider was appointed late in the 4th quater and the transaction never realised for the leasing as the equipment was never deliverd. .

44.21 Accumulated Surplus

Budget adjustments explanations
The increase in accumulated surplus increased beause of more grants and subsidies that was recived during the year

45. Cash generated from operations

	2021	2020
Surplus for the year	88 367 547	30 646 479
Adjustments for:		
Depreciation, amortisation and impairment	12 114 550	15 911 406
(Gain) / loss on sale of assets and liabilities	173 105	161 471
Public Contributions and donations	(1 234 955)	-
Movements in non current provisions and retirement benefit liabilities	3 084 603	(848 799)
Movements in current provisions and retirement benefits	1 542 126	1 647 975
Changes in working capital:		
Inventories	(790 987)	(66 821)
Receivables from exchange transactions	155 668	836 505
Other receivables from non-exchange transactions	14 351 099	(10 780 060)
Payables from exchange transactions	(4 267 192)	6 559 929
VAT	2 446 429	(912 479)
Unspent conditional grants and receipts	(499 572)	(997 338)
Consumer deposits	900	1 350
Other Current Liability	162 733	24 265
	115 606 054	**42 183 883**

46. Cashflow Statement Receipts - Sale of goods and services

	2021	2020
Service Charges - Electricity	8 433 035	8 284 596
Service Charges - Refuse removal	2 628 852	2 218 413
Interest earned -Outstanding debtors non exchange	714 069	487 735
Interest earned - Outstanding debtors	628 249	425 043
Commission Received	718 633	683 390
Property Rates	49 558 003	20 010 884
Traffic Fines, penalties and forfeits	493 491	909 431
Rental of facilities and equipment	254 993	254 705
Licenses and permits	4 890 684	2 813 493
Other Income	113 522	3 468 877
Movement in receivables from exchange transactions	155 668	836 505
Movement in receivables from non exchange transactions	14 351 099	(10 780 060)
Provision for Bad Debts	(8 871 388)	(5 758 835)
Movements in Consumer deposits	900	1 350

Notes to the Financial Statements

Figures in Rand	2021	2020

46. Cashflow Statement Receipts - Sale of goods and services (continued)

	74 069 810	**23 855 527**

47. Cashflow Statement Receipts - Grants

Goverment Grant and subsidies	230 316 073	182 145 339
Movement in Unspent and Conditional Grants	(499 572)	(997 338)
	229 816 501	**181 148 001**

48. Cashflow Statement Payments - Suppliers

Bulk Purchases	(11 026 473)	(10 107 196)
Contracted services	(39 119 438)	(27 337 190)
General Expenses	(38 086 461)	(32 684 333)
Movements in Payables from exchange transactions	(4 267 192)	6 559 929
Movements in VAT receivable	2 446 429	(912 479)
Movements in Other current liability	162 733	24 265
Movements in Employee Benefit - Current	1 542 126	1 647 975
Movement in Employee Benefit - Non Current	2 420 000	(1 379 514)
Movement in Provisions - Non current	664 603	530 715
Movement in Inventories	(790 987)	(66 821)
	(86 054 660)	**(63 724 649)**

49. Employee Related Cost

Employee related costs	(91 626 639)	(87 486 116)
Remuneration of councillors	(12 959 102)	(12 916 703)
	(104 585 741)	**(100 402 819)**

50. Financial instruments disclosure

Categories of financial instruments

Financial Assets	Classification	2021	2020
Investments			
Fixed Deposit	Held to maturity	-	-
Consumer Debtors			
Trade receivables from exchange transactions	Financial instruments at amortised cost	2 541 347	2 697 015
Trade receivables from non-exchange transactions	Financial instruments at amortised cost	58 824 345	73 175 444
Call Deposits	Financial instruments at amortised cost	89 535 644	22 997 466
Bank Balances and Cash			
Cash Floats and Advances	Financial instruments at amortised cost	8 161	13 500
Summary of Financial Assets	-	**150 909 497**	**98 883 425**

Figures in Rand	2021	2020

50. Financial instruments disclosure (continued)

Financial Liability	Classification	2021	2020
Long-term Liabilities			
Trade Payables			
Trade Creditors	Financial instruments at amortised cost	19 758 536	24 025 728
Current Portion of Long-term Liabilities			
Finance Lease Liability	Financial instruments at amortised cost	-	251 668
Summary of Financial Liability	-	**19 758 536**	**24 277 396**

51. Profit/(Loss) on disposal of Assets

	2021	2020
(Profit) / Loss on write-off of council assets as per council resolution	173 105	161 471

52. Commitments

Capital Commitments

	2021	2020
Already contracted for but not provided for		
• Community Assets	-	1 302 918
• Infrastructure Assets	1 715 696	1 715 696
	1 715 696	**3 018 614**

	2021	2020
This expenditure will be financed from:		
• Contributions from operating revenue	1 715 696	3 018 614
	1 715 696	**3 018 614**

Operating Commitments

	2021	2020
Already contracted for but not provided for		
• Operating Expenditure	16 373 713	15 477 927
	16 373 713	**15 477 927**

	2021	2020
This expenditure will be financed from		
• Contributions from Operating Revenue	16 373 713	15 477 927
	16 373 713	**15 477 927**

Total commitments

	2021	2020
Capital Commitments	1 715 696	3 018 614
Operating Commitments	16 373 713	15 477 927
	18 089 409	**18 496 541**

	2021	2020
Included in Operating Commitments is the following:		
Operating lease	9 877 876	-

Notes to the Financial Statements

Figures in Rand	2021	2020

52. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 984 253	-
- in second to fifth year inclusive	6 893 623	-
	9 877 876	**-**

Operating lease payments represent rentals payable by the municipality for service delivery plant and equipment assets. Lease period is for a term of three years and rentals are excalates at 10% annualy over the lease term. No contingent rent is payable.

53. Contingencies

Contingent Liability	5 198 631	4 460 442
Contingent Asset	706 021	206 021

For more information see supplementry schedule 2 attached

54. Change in estimate

Property, plant and equipment

The useful life of infrastucture & other asset classes were adjusted during 2020/2021 to more accurately reflect the priod o economic benefits or service potential derived from these assets. Refer to note 4 . The effect of changing the remaining useful life of assets for the Municipality for the Municipality during 2020/2021 has decreased the depreciation charge for the current by R3413675.84 and increase the future periods by R3658932.38

55. Changes in accounting policy

The municipality has moved from accrual basis to payment basis for vat purposes on 1 July 2020. This change consist of a change in accounting policy and has been applied prospectively.

56. Prior period errors

The correction of the error(s) results in adjustments as follows:

:A supplier overcharged the municipality for for rental of machines in the prior years. This error was identified in the current financial year. Receivables from non- exchange transctions were restated in the current financial year.

Rententions payable was overstated by R4 280 201 due to contracts that were cancelled but not corrected in the Financial Statements. The impact of the error was material and the comparative period have been restated

An incorrect payment was made to a councillor in the previous year and the debtor was not raised. The prior year have been restated

Licences and Permits paid in June 2020 now corrected.

Goverment impairment which was previously included on theon the provision balance

A supplier was not raised as a creditor in the previous year and was now corrected. Security Services

Land and buildings was not previously on the asset register now corrected.

Statement of Financial Position 2019

Description	Balance as previously presented	Prior period error	Reclassified	Restated balance
Payables From Exchange Transactions	21 745 997	(4 280 201)	-	17 465 796
Receivables from exchange transactions	3 533 520	81 365	-	3 614 885
VAT receivable	14 057 452	(10 613)	-	14 046 839
Accumulated surplus	248 111 137	4 350 953	-	252 462 090

Statement of Financial Position 2019

Accumulated Surplus 2019	
Balance previously reported	248 111 137
Retention Opening Balance amount now recognised to Accumulated Surplus	4 280 201
Xlp invoices overcharged now recognised to Accumulated Surplus	70 752
	252 462 090

Vat Receivable - 2019	
Balance previously reported	14 057 452
Reversal of vat on over charges for XLP Invoices for 2019 & 2018	(10 613)
	-
Restated Balance	14 046 839
	-

Payables from exchange transaction-2019 -	
Balance previously reported	21 745 997
Retention Opening Balance amount now recognised to Accumulated Surplus	(4 280 201)
Restated Balance	17 465 796
	-

Statement of Financial Position 2020

Description	Balance as previously presented	Prior period error	Reclassified	Restated balance
Accumulated Surplus	279 415 487	4 243 638	-	283 659 125
Payables from exchange transactions	27 776 096	(3 750 368)	-	24 025 728
Receivables from Non Exchange transactions	73 012 570	(88 924)	251 798	73 175 444

Notes to the Financial Statements

Figures in Rand			2021	2020

56. Prior period errors (continued)

Receivables from exchange transactions	2 948 813	-	(251 798)	2 697 015
Vat Recievable	14 919 926	50 005	-	14 969 931
Property Plant and equipment	271 772 099	532 188	-	272 304 287

Accumulated Surplus 2020

Balance previously reported	279 415 487
Retention Opening Balance amount now recognised to Accumulated Surplus	4 280 201
Xlp invoices overcharged now recognised to Accumulated Surplus	127 354
Councilor Over payment now corrected	21 759
Goverement impairmen which was previously included on the provision balance	53 091
Licences and Permits of June 2020 now corrected	(310 230)
Depreciation of Community buildings not previously reported	(18 368)
Security Services expenditure not accounted for in 2019/2020	(460 724)
Capitilizing Property plant and equipment not was not previously reported	89 000
Capitilizing Community Building that was not previously reported	417 556
Capitilizing Land that was not previously reported	44 000
Restated Balance	283 659 125

Payables from exchange transactions-Note 19

Balance previously reported	27 776 096
Retention Opening Balance amount now recognised to Accumulated Surplus	(4 280 201)
Security Services expenditure not accounted for in 2019/2020	529 833
Restated Balance	24 025 728

Receivables from Non exhange transactions-Note 10

Balance previously reported	73 012 570
Goverment Impairment whcich was previously included on the Provision now correctedt	53 090
Other debtors reclasified as Non exchange debtor	43 168
Other debtors Under banking now classified as Non Exchange transaction	208 630
Other debtors-Councillor overpayment now raised as debtor	21 758
Licences paid in June 2020 now corrected	(310 230)
XLP invoices overcharged now corrected	146 458
Restated Balance	73 175 444

Receivables from exchange-Note 9

Balance previously reported	2 948 813
Other debtors reclasified as Non exchange debtor	(43 168)
Other debtors Under banking now classified as Non Exchange transaction	(208 630)
Restated Balance	2 697 015

Vat Receivable-Note 11

Balance previously reported	14 919 926
Reversal of vat on over charges for XLP Invoices for 2018 &2019 &2020	(19 103)
Vat on security invoices now accounted for	69 108
Restated Balance	14 969 931

Property ,Plant and equipment -Note 4

Balance previously reported	271 772 099
Capitilizing Community Building not previously reported	403 639
Capitilizing Land that was not previously included in the Fixed Asset Regsiter	44 000
Capitilizing other Property plant that was not previsouly included	84 549
Restated Balance	272 304 287

56. Prior period errors (continued)

Statement of Financial Performance 2020

Description		Balance as previously presented	Prior period error	Reclassified	Restated balance
Revenue					
Licences and Permits		3 123 723	(310 230)		2813 493
Expenditure					
Debt Impairment		(5 811 925)	53 090	-	(5 758 835)
Contracted Services Outsourced Services	-	(26 354 460)	(460 724)	(522 006)	(27 337 190)
Contracted Services -Contractors	-	(522 006)	-	522 006	-
General Expenses		(32 740 935)	56 602	-	(32 684 333)
Employee Related Cost		(87 507 875)	21 759	-	(87 486 116)
Depreciation	-	(15 893 038)	(18 368)	-	(15 911 406)

Licences and Permits- Note 25

Balance previously reported	3 123 723
Licences paid in June 2020 now corrected	(310 230)
Restated Balance	2 813 493

Debt Impairment-Note 38

Balance previously reported	(5 811 925)
Goverment Impairment whcich was previously included on the Provision now corrected	53 090
Restated Balance -	(5 758 836)

General Expenses-Note 41

Balance previously reported	(32 740 935)
Xlp invoices overcharged now recognised to Accumulated Surplus	56 601
Restated Balance	(32 684 334)

Depreciation-Note 36

Balance previously reported	(15 893 038)
Depreciation of Community Buildings not previously Reported	(18 368)
Restated Balance	(15 911 406)

Employee Related Cost-Note 34

Balance previously reported	(87 507 875)
Overpayment of Councillor incorrectly recorded as employee cost	21 759
Restated Balance - General Expenses	(87 486 117)

Contracted Services-Note 40 -

Balance previously reported	(26 876 466)
Contracted Services -Contractors	
Contracted services reclassfied to Outsources Services as per Mscoa Chart	522 006
Contracted Services -Outsourced	
Security Services expenditure not accounted for in 2019/2020	(460 724)
Contracted services reclassfied to Outsources Services as per Mscoa Chart	(522 006)
Restated Balance -	(27 337 191)

Cash flow statement 2020

Description	Note nr	Balance as previously presented	Prior period error	Reclassified	Restated balance
Sale of Goods and Services	46	23 952 991	(97 464)	-	23 855 527
Employee and Councillors Cost	49	(100 424 578)	21 759	-	(100 402 819)
Suppliers	48	(63 800 352)	75 703	-	(63 724 649)

56. Prior period errors (continued)

Cashflow Statement Receipts - Sale of Goods and Services - Note 46

Description	Balance as previously presented	Prior period error	Reclassified	Restated balance
Licences and Permits	3 123 723	(310 230)	-	2 813 493
Movement in receivables from exchange transactions	584 707	-	251 798	836 505
Movement in receivables from non exchange transactions	(10 687 936)	159 676	(251 798)	(10 780 058)
Provision for Bad Debts	(5 811 925)	53 090	-	(5 758 835)
Net movement	-	(97 464)		

Cashflow Statement Payments - Suppliers - Note 48

Description	Balance as previously presented	Prior period error	Reclassified	Restated balance
Contracted Services	(26 876 466)	(460 724)	-	(27 337 190)
General Expenses	(32 740 935)	56 602	-	(32 684 333)
Movement in Payables from exchange transactions	6 030 099	529 830	-	6 559 929
Movement in Vat receivable	(862 474)	(50 005)	-	(912 479)
Net Movement in Suppliers		(75 703)		

Employee and councillors cost Note 49

Balance previously reported	(100 424 578)
Overpayment of Councillor incorrectly recorded as employee cost	21 759
Restated Balance - EmployeeRelated Cost	(100 402 819)

Capital Commitments- Note 52

Balance previously reported	1 397 242
Variation order for Electrification cluster was not included on the capital commitment	1 621 372
Restated Balance	3 018 614

Operating Commitments-Note 52

Balance previously reported	15 622 937
Vending system was incorrectly disclosed under commitment the payments are based on commission	(145 009)
Restated Balance	15 477 927

Contingent Asset - Note 53

Balance previously reported	2 997 551
Management established fact over the long outstanding matter of Matebele Dinare case that the amount of R2791530 was not suppose to be disclosed as a Contingent Asset.	(2 791 530)
Restated Balance - Contingent Asset	206 021

57. Risk management

Liquidity risk

The risk that the Municipality may encounter difficultied in rasing sufficient funds in meetings its obligations and commitments that are due and payable within 12 months. Availability of adequate resources to meet the Municipalitys obligations in the needs of its capital and operating expenditure ,creditors at large including employees is critical for the Municipality to continue as a going conceeern of which cannot be compromised. The Municipality manages liquidity risk through proper management of working capital , capital expenditure and monitoring of actual versus forecast cash flows. .

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.

57. Risk management (continued)

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	19 758 536	-	-	-
Other financial liabilities	282 504	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	24 025 728	-	-	-
Other financial liabilities	119 771	-	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors.

Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

Non-Exchange Receivables	2021 Percentage	2021 Amount	2020 Percentage	2020 Amount
Rates	100%	80 379 074	100%	92 898 793
	100%	**80 379 074**	**100%**	**92 898 793**

Exchange Receivables	2020 Percentage	2020 Amount	2021 Percentage	2021 Amount
Electricity	21	3 832 660	24	3 607 562
Refuse	75	13 968 813	72	10 997 470
Other	4	779 792	5	705 274
	100%	**18 581 265**	**100%**	**15 310 306**

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 9 & 10 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 10% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

57. Risk management (continued)

Non-Exchange Receivables	2021 Percentage	2021 Amount	2020 Percentage	2020 Amount
Rates	100%	25 867 538	100%	21 585 974
	100%	**25 867 538**	**100%**	**21 585 974**

Exchange Receivables	2021 Percentage	2021 Amount	2020 Percentage	2020 Amount
Electricity	21	3 429 204	24	3 134 981
Refuse	75	12 498 348	72	9 556 832
Other	4	697 704	5	612 885
	100%	**16 625 256**	**100%**	**13 304 698**

The municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (NEDBANK). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Interest rate risk

The Municipality is not exposed to Interest rate risk as it does not have interest bearing liabilities.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk

58. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 372 026 672 and that the municipality's total assets exceed its liabilities by R 419 733 842.

The 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 to remain in force

59. Events after reporting date

59.1 Impact of COVID-19

The Covid -19 outbreak has developmed rapidly in 2020/2021 financial year, with a significatn number of infections. Measurestaken by various govement to contain the virus have affected economic activities.

The Municipality has taken a number of measures to monitor and prevent the effects of the Covid -19 virus such as safety and health measures for our people (like socail distancing and working from home),securing the supply of materials that are essential to our working enviroment and training of frontline officials on hygiene and sanitising of workspaces as well as on Covid-19 risk identification and response protocols.

Property rates and services revenue collection was highly vulnerable to defaulting by households as a result of income losses. Additionally, the effect of COVID-19 had a wide-ranging impact on the property market itself, which in turn impacted on property rates. The real estate industry has been heavily affected which translated into depressed property prices and lower valuations figures.

Balancing expenditure between the COVID- 19 agenda and the Business-agenda was one of the most significant challenges in the municipality. Although it was difficult to see past the current crisis, leaders needed to think about the future while managing day-to day service delivery challenges.

At this stage the impact in the Municipality and financial results is limited. We will continue to follow the various national insitute's policies and advise and in parallel will do our utmost to continue our operations in the best safest way posiblle without jeopardising the health of our people.

At the moment no uncertainty about the entity's ability to continue as a going concern is identified due to the impact of Covid-19

59.2 Donation of Church site

As per Council resolution SC/10.3/30/08/2021,Two church sites located in Mogwadi and Nthabiseng Townships have been Donated and approved by Council after year end, however the Municipality is in the process of transferring over the title deed to the Church as at the audit report date.

60. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	-	8 835 388
Less: Approved/condoned/authorised by council	-	(8 835 388)
Closing balance	**-**	**-**

Analysis of unauthorised expenditure written off by council per category

Depreciation and asset impairment	4 128 585
Materials and bulk purchases	1 619 063
Loss on disposal of assets and liabilities	1 550 539
Actuarial Loss	1 537 201
	8 835 388

61. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	-	40 916
Add: Expenditure identified - current	28 477	127 550
Less: Amount written off - current	(230)	(127 550)
Less: Amount written off - prior period	-	(40 916)
Closing balance	**28 247**	**-**

Figures in Rand	2021	2020

61. Fruitless and wasteful expenditure (continued)

The fruitless and wastefull expenditure for the current year relates to interest paid on late payments and overpayment of 2 Service Providers .

Analysis of fruitless and wastefull expenditure written off by council per category

Interest paid on late payments	(230)	(168 466)

62. Irregular expenditure

Opening balance as previously reported	219 100	-
Add: Irregular Expenditure - current	2 303 412	2 033 617
Less: Amount written off - current	(219 100)	-
Less: Amount written off - prior period	-	(1 814 517)
Closing balance	**2 303 412**	**219 100**

Analysis of balance of iregular

Invitation to bid/quotation did not stipulate the minimum threshold for local content	-	219 100
The declaration of interest is not fully completed	197 500	-
Split of Goods into two different parts to avoid competitive bidding	2 067 979	-
Quotation sourced from one supplier	26 680	-
Deviation was Approved after appointment date	11 253	-
	2 303 412	**219 100**

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 219 100 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

The Municipal rates for the appointed bidder were in arreas for more than three months	-	1 814 517
Invitation to bid/quotation did not stipulate the minimum threshold for local content	219 100	-
	219 100	**1 814 517**

63. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 156 070	914 865
Amount paid - current year	(1 156 070)	(914 865)
	-	-

Audit fees

Current year subscription / fee	3 925 776	3 362 785
Amount paid - current year	(3 925 776)	(3 362 785)
	-	-

Figures in Rand	2021	2020

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

PAYE and UIF

Current year subscription / fee	16 348 142	16 073 822
Amount paid - current year	(16 348 142)	(14 570 941)
	-	**1 502 881**

Pension and Medical Aid Deductions

Current year subscription / fee	14 670 496	13 704 956
Amount paid - current year	(14 670 496)	(12 775 619)
	-	**929 337**

VAT

VAT receivable	12 523 502	14 969 931

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

Councillors' arrear consumer accounts

During the year from July 2020 to June 2021 year no Councillors had arrear accounts outstanding for more than 90 days because most of the councillors are staying in rural areas.

Supply chain management regulations

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

Incident		
Sole Supplier	1 406 964	2 330 629
	1 406 964	**2 330 629**

64. Distribution Losses

Electricity Distribution Losses (Units)		
Units purchased	6 838 437	6 910 093
Units Sold	6 174 031	4 882 386
Units Loss	664 406	2 027 708
Percentage distribution Loss	10 %	29%
Electricity Distribution Losses(Rand)		
Electricity Purchased	11 026 473	10 107 196
Electricity Sold	8 433 035	8 284 596
Electricity Loss	2 593 438	1 822 600
Percentage distribution loss	24%	18%

Notes to the Financial Statements

Figures in Rand	2021	2020

1. Contingent Liability

Name of the Legal Representative	Litigation	Status	Nature of Dispute	Progress	Projected Estimates 2021	Projected Estimates June 2020
SC Mdhluli Attorneys Tel : 015 291 5440	NFM Consulting	Active	NFM claiming R447 000 for work done and interdicting the Municipality against appointment of Consultant on Ramokgopa	After having conducted and internal investigation it was discoverd by the municipality that the municipality has paid for work done by the contractor. The Municipality is now awaiting a noticce of withdrawel from the Plaintiff.	447 000	447 000
S c Mduhluli Attorneys 015 291 5440	Sinthumule Nkumeleni	Active	Claim for unlawful confiscation and impounding of the Plaintiff's vehicle alleging lack of necessary permit. The Plaintiff is claiming loss of income of R 100,000, plus 9% interest per annum and cost of suit.	The matter waas enrolled for the 19th of February 2021, Parties awaiting judgement from Court	0	100 000
SC Mdhluli Attorneys 015 291 5440	Rambuda Nditsheni Joseph	Active	Confiscation and impounding of the plaintiff vechile alleging lack of necessary permit . The Plaintiff is claiming loss of income amounting to R100 000, Plus 9 percentage interest and cost of the Suit	The matter waas enrolled for the 19th of February 2021,Parties awaiting judgement from Court.	0	100 000

Supplementary Information

A M Carrim Attorneys 015 293 1700	Badau Film and Video Production	Active	Claim for damages of and loss of income amounting to R1 560 841-10 after The Plaintiff hired the Ramokgopa Staduim for an event and the event could not take place due to the unavailabilty of electricity	The Plaintiff indicated an intention to stop litigating against the Municipality as per letter dated 11 June 2021, The Municipality is awaiting notice of withdrawel from the Plaintiff.	0	1 560 841
SC Mduhluli 015 291 5440	Hlako	Active	Counter Claim on recovery of performance bonus	Settlement talks with the Plaintiff in progress	300 000	300 000
Mohale Incorporated 015 291 3645	Sedima Business Enterprise	Active	Serve the Municipality with simple summons based on failure to pay for work done after the Plaintiff alleged that it entered intol SLA with the Municipality in January 2017	The Matter in Court and will proceed on 12 September 2021	305 000	305 000
None	Pothole Cover	Closed	Letter of Demand on damages as a result of pothole on the road amounting to R970	The Prescription period run on the 12th of August 2020, The matter is closed in line with Prescription ACT 68 of 1969	0	970
None	Nkotheleni Business Enterprise	Active	Served Combined Summons based on failure to pay for services rendered by the Plaintiff after she has caterd food to the Municipality	A Plaintiff has proposed settlement agreement with the municipality . A follow up meeting to discuss settlement terms to be convened by the parties.	21 420	21 420

* See Note 55 & 56

Supplementary Information

None	Dg Deparment of Labour	Active	Mandatory Declaratory order due to failure by the Municipality to compile with the Provision of the Employment Equity Act	The Municipality is now complying with the provisions of the Act.Awaiting settlement discussions and notice of withdraal from the Applicant	1 500 000	1 500 000
None	Akani Retirment Administration Fund	Active	Letter of demand for payment of pension to a Municipal Employee	The Plaintiff did not pursue the matter further . Awaiting prescription to run its course .	125 211	125 211
Mohale incorporated Attorneys	Lephalale Investemtn Pty Ltd	Active	Action for Recovery of Land that was sold by the Municipality to the Defendant for the Purpose of constructing a Mall	The Municipality has consulted with its legal representative on the 28th of April 2021. Parties still exchaning documents. The courts is to determined a date for the sitting of the matter.	2 500 000	0
					5 198 631	**4 460 442**

2. Schedule of Contingent Asset

Name of the Legal Representative	Litigant	Status	Nature of dispute	Progress	Projected Estimates 2021	Projected Estimates 2020
S C Mdhuki Attorneys 015 291 5440	Hlako	Active	Action Recovery of undue Perfomance Bonus	Settlement talks in Progress	106 021	106 021
S C Mdhuki Attorneys 015 291 5440	Hlako	Active	Action Recovery of rental and eviction over a house that belongs to the municipality	The Municipality instructed the Legal Representative to obtain a copy of lost deed from the Deeds office.	100 000	100 000
Mohale Attorneys	Lephalale	Active	Recovery of land that was sold to the Defendant for his company to construct a Mall at a site that belong to the Municipality	The Municipality had consultation with its lawyer on the 28th of April 2021. Parties have exchanged documents and the Municipality is awaiting for a Court date.	500 000	0
					706 021	**206 021**

* See Note 55 & 56