



Modimolle-Mookgophong Local Municipality
(Registration number LIM 368)
Annual Financial Statements
for the year ended 30 June 2021

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

Modimolle-Mookgophong Local Municipality was established in terms of Section 12 of the Municipal Structures Act (112 of 1998). The merger took place on 11 August 2016.

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

General services - All types of services rendered by the municipality, excluding the supply of housing of the community.

Waste Management Services - The collection, disposal and recycling of waste.

Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.

Waste water management - Collection and purification of waste water.

Water Services - Supply of water.

Legislation governing the municipality's operations

Constitution of the Republic of south Africa (Act 108 of 1998)
Local Government: Municipal Finance Management Act (Act no.56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007)

Executive Committee

Mayor

Executive Committee

M Van Staden

LW Kola

NE Monepya

RP Mashaba

NG Mashitisho

MM Mothabela

Modimolle-Mookgophong Local Municipality

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General Information

Councillors

HP Louw - Chief Whip
DS Motshwene - Speaker
JJ Abrie
J Baloyi
S Groenewald
JM Lebesse
KN Mabunda
RJ Mahoro
B Mocke
DM Monama
LK Moruwe
HE Matlebyane
D Phalane
MD Phele
MM Sethlabi
JP Prinsloo
KE Lekalakala
SM Seodisa
MJ Kekana
M Mbedzi
DE Ramogale
LW Monyela
CMJ Botha

Grading of local authority

Category C
Level 3

Acting Chief Finance Officer (CFO)

MJ Mokwele

Accounting Officer

Dr S.M. Mhlanga

Registered office

Harry Gwala Street
OR Tambo Square
Modimolle
South Africa
0510

Business address

Harry Gwala Street
OR Tambo Square
Modimolle
South Africa
0510

Postal address

Private Bag X 1008
Modimolle
0510

Bankers

Standard Bank

Auditors

The Auditor General of South Africa

Modimolle-Mookgophong Local Municipality

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General Information

Attorneys

In order to improve competitiveness and cost containment, the municipality has decided to engage a panel of attorneys for legal services and consultation.

Modimolle-Mookgophong Local Municipality

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
LGSETA	Local Government Services Sector Education & Training Authority
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
CIGFARO	Chartered Institute of Government Finance and Risk Officers
IPSAS	International Public Sector Accounting Standards
SALGA	South African Local Government Association
MEC	Member of the Executive Council
EPWP	Expanded public works programme
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electrification Programme
WSIG	Water Services Infrastructure Grant
FMG	Financial Management Grant

Modimolle-Mookgophong Local Municipality

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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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Modimolle-Mookgophong Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act

The accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors, being the Auditor General of South Africa, is responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 10-102, 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:

Dr. S.M. Mhlanga
Accounting Officer(Acting)

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2021

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary meetings were held and members attended other meetings as detailed below:

Name of member	Number of meetings attended
Mr LE Mphahlele (Chairperson)	Total Number - 10 meetings attended Ordinary meetings - 3; 29 July 2020, 30 November 2020, 30 April 2021 MPAC meetings - 5; 29 July 2020 26 August 2020 09 October 2020 27 October 2020 10 November 2020 Council meetings - 1; 19 January 2021 AGSA meetings - 1; 30 April 2021
Mr R Raphalalane (Member)	Total Number - 4; (Ordinary - 2; Performance - 2)
Mr ND Nedzingahe (Member)	Total Number - 4 (Ordinary - 2; Performance -2)
Mr MG Mathabathe (Member) - Resigned 31 December 2020	Total Number - 4 (Ordinary - 3; Performance -1)

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

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Annual Financial Statements for the year ended 30 June 2021

Audit Committee Report

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Modimolle-Mookgophong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Modimolle-Mookgophong area and operates principally in South Africa. Modimolle-Mookgophong Local municipality was established in terms of section 12 of the municipal structures act (112 of 1998). The merger took place on 11 august 2016.

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

General services - all types of services rendered by the municipality,excluding the supply of housing of the community.

Waste management services - the collection, disposal and recycling of waste.

Electricity services - electricity is bought in bulk from eskom and distributed to the consumers by the municipality.

Waste water management - collection and purification of waste water.

Water services - supply of water. and operates principally in South Africa.

The operating results for the year were not satisfactory for the following reasons:

The outbreak of the corona virus pandemic during the 2020 financial year continued into the current financial period and led to the intermittent announcements of the national state of disaster(lockdowns) in terms of the Disaster Management Act to enable government and the country at large to manage the spread of the Covid-19 virus. Although the municipality ensured that essential services were rendered, the social distancing requirements resulted in disruptions to certain services and the municipality further experienced reduced collection of debtors for services rendered.

The financial position of the municipality is:

The surplus of the municipality was R 51 932 556 (2020: deficit R 67 778 263)

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had accumulated surplus (deficit) of R 1 041 753 492 and that the municipality's total assets exceed its liabilities by R1 041 753 492.

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

Although material uncertainties exist regarding the going concern assumption, the ability of the municipality to continue as a going concern is dependent on a number of factors:

The municipality is adequately funded by national government to continue its operations;

Where applicable the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets;

The municipality is constantly implementing optimal revenue enhancement strategies and credit control and debt collection policy along with cost containment policy to improve liquidity.

3. Subsequent events

The accounting officer is not aware of any significant matter or circumstance(s) arising since the end of the financial year.

Modimolle-Mookgophong Local Municipality

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Accounting Officer's Report

4. Accounting Officer's interest in contracts

In terms of the Supply Chain Management Policy of the municipality, councillors and officials are prohibited from entering into commercial transactions with the municipality.

Councillors and officials are required to disclose any business interest which they may have elsewhere.

The register of declaration of interest is available in the office of the Chief Whip for inspection.

Consistent with the Supply Chain Management Policy of the municipality, none of the councillors or officers entered into any commercial transaction with the municipality during the period under review. The Accounting Officer does not have any interest(s) in contracts.

5. Accounting policies

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

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	
Dr. S.M. Mhlanga	South African	The Accounting Officer was appointed on an acting capacity

7. Corporate governance

General

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

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

8. Auditors

The Auditor General of South Africa is mandated by the constitution to audit the public sector which includes the municipality and will therefore continue in the next financial period.

9. Non-compliance with applicable legislation

Instances of non-compliance with the MFMA and related regulations occurred and were identified during the year and include among others:

Non-compliance with SCM Regulations that resulted in Irregular expenditure reported these annual financial statements.

Monies owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.

Unauthorised, Irregular, Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA

The annual financial statements set out on page 10-102, 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:

Dr. S.M. Mhlanga
Accounting Officer(Acting)

Modimolle-Mookgophong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	1 752 971	2 440 344
Other Receivables	4	11 859 555	5 781 687
Receivables from non-exchange transactions	5	342 202 039	166 544 774
Receivables from exchange transactions	6	366 797 169	397 416 448
VAT Receivable	7	64 960 700	46 715 432
Deposits	8	808 652	588 082
Cash and cash equivalents	9	12 410 977	37 316 801
		800 792 063	656 803 568
Non-Current Assets			
Investment property	10	26 101 520	26 151 053
Property, plant and equipment	11	1 362 087 805	1 313 220 499
Intangible assets	12	3 730 569	4 749 334
Heritage assets	13	1 286 787	161 313
Other financial assets	14	135 531	134 854
		1 393 342 212	1 344 417 053
Total Assets		2 194 134 275	2 001 220 621
Liabilities			
Current Liabilities			
Finance lease obligation		-	19 871
Payables from exchange transactions	15	1 013 468 346	861 529 909
Consumer deposits	16	13 224 290	12 242 830
Employee benefit obligation	17	2 349 000	2 397 000
Unspent conditional grants and receipts	19	4 880 727	24 925 059
Provisions	20	4 505 353	5 438 475
Long service awards	18	1 950 000	2 165 591
		1 040 377 716	908 718 735
Non-Current Liabilities			
Employee benefit obligation	17	54 843 000	47 048 000
Provisions	20	40 810 067	42 774 957
Long service awards	18	16 350 000	12 858 000
		112 003 067	102 680 957
Total Liabilities		1 152 380 783	1 011 399 692
Net Assets		1 041 753 492	989 820 929
Accumulated surplus		1 041 753 492	989 820 929

* See Note 47

Modimolle-Mookgophong Local Municipality

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	305 439 979	316 222 891
Interest received - trading	22	40 111 578	27 146 860
Sundry Income	23	4 114 955	3 868 306
Interest received - investment	24	1 094 614	1 141 167
Rental of facilities and equipment	25	420 861	499 187
Agency services	26	7 382 395	6 063 003
Recoveries		583 123	551 734
Gain on foreign exchange		59 096	-
Actuarial gains		-	6 917 840
Gain on heritage assets valuation		1 125 474	-
Inventories reversal		120 356	-
Total revenue from exchange transactions		360 452 431	362 410 988
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	111 607 488	95 700 164
Property rates - Interest earned	27	18 534 398	11 504 030
Licences and Permits	28	210 412	531 429
Transfer revenue			
Government grants & subsidies	30	228 270 038	155 305 109
Fines, Penalties and Forfeits	31	199 890 791	260 800
Total revenue from non-exchange transactions		558 513 127	263 301 532
Total revenue		918 965 558	625 712 520
Expenditure			
Employee related costs	32	(222 878 939)	(210 750 426)
Remuneration of councillors	33	(14 643 212)	(12 956 417)
Depreciation and amortisation	34	(45 040 921)	(66 685 045)
Impairments	35	(381 203)	(547 836)
Finance costs	36	(37 099 122)	(62 803 694)
Lease rentals on operating lease	37	(25 680 877)	(19 266 766)
Debt Impairment	38	(203 669 090)	(16 667 371)
Bulk purchases	39	(202 586 096)	(187 001 279)
Contracted services	40	(52 836 937)	(66 300 700)
Loss on disposal of assets and liabilities		(282 243)	(1 324 312)
Actuarial gains/(losses)		(3 572 834)	-
Inventories losses/write-downs		-	(180 291)
General Expenses	41	(58 361 528)	(49 006 646)
Total expenditure		(867 033 002)	(693 490 783)
Surplus (deficit) for the year		51 932 556	(67 778 263)

* See Note 47

Modimolle-Mookgophong Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 020 218 841	1 020 218 841
Adjustments		
Prior year adjustments	37 380 351	37 380 351
Balance at 01 July 2019 as restated*	1 057 599 192	1 057 599 192
Changes in net assets		
Surplus for the year	(67 778 263)	(67 778 263)
Total changes	(67 778 263)	(67 778 263)
Balance at July 1, 2018	989 820 936	989 820 936
Changes in net assets		
Surplus for the year	51 932 556	51 932 556
Total changes	51 932 556	51 932 556
Balance at 30 June 2021	1 041 753 492	1 041 753 492
Note(s)		

* See Note 47

Modimolle-Mookgophong Local Municipality

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Taxation		47 783 537	45 231 810
Sale of goods and services		283 453 105	228 256 611
Grants		209 318 035	102 552 504
Interest income		1 094 614	1 141 167
Other receipts		10 033 868	6 053 769
		<u>551 683 159</u>	<u>383 235 861</u>
Payments			
Employee costs		(217 240 591)	(203 212 142)
Payments to suppliers		(254 746 930)	(132 586 521)
		<u>(471 987 521)</u>	<u>(335 798 663)</u>
Net cash flows from operating activities	43	<u>79 695 638</u>	<u>47 437 198</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	<u>(101 842 011)</u>	<u>(37 739 180)</u>
Cash flows from financing activities			
Employee benefit obligation payments		<u>(2 759 451)</u>	<u>(2 796 574)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(24 905 824)</u>	<u>6 901 444</u>
Cash and cash equivalents at the beginning of the year		37 316 801	30 415 357
Cash and cash equivalents at the end of the year	9	<u>12 410 977</u>	<u>37 316 801</u>

* See Note 47

Modimolle-Mookgophong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	391 284 297	100 000	391 384 297	305 439 979	(85 944 318)	Note 1
Rental of facilities and equipment	890 736	70 000	960 736	420 861	(539 875)	Note 2
Interest received (trading)	48 997 872	-	48 997 872	40 111 578	(8 886 294)	Note 3
Agency services	-	-	-	7 382 395	7 382 395	Note 18
Recoveries	-	-	-	583 123	583 123	Note 18
Other sundry income	16 130 710	459 240	16 589 950	4 114 955	(12 474 995)	Note 4
Interest received - investment	600 000	400 000	1 000 000	1 094 614	94 614	
Total revenue from exchange transactions	457 903 615	1 029 240	458 932 855	359 147 505	(99 785 350)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	142 532 256	-	142 532 256	111 607 488	(30 924 768)	Note 5
Property rates - penalties imposed	-	-	-	18 534 398	18 534 398	
Licences and Permits (Non-exchange)	4 238 568	(423 240)	3 815 328	210 412	(3 604 916)	Note 6

Transfer revenue

Government grants & subsidies	193 839 984	47 984 000	241 823 984	228 270 038	(13 553 946)	Note 7
Fines, Penalties and Forfeits	750 000	-	750 000	199 890 791	199 140 791	Note 8
Total revenue from non-exchange transactions	341 360 808	47 560 760	388 921 568	558 513 127	169 591 559	

Total revenue

799 264 423	48 590 000	847 854 423	917 660 632	69 806 209	
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Expenditure

Personnel	(239 372 028)	12 623 854	(226 748 174)	(222 878 939)	3 869 235	Note 9
Remuneration of councillors	(13 931 088)	-	(13 931 088)	(14 643 212)	(712 124)	Note 10
Depreciation and amortisation	(54 655 320)	4 786 524	(49 868 796)	(45 040 921)	4 827 875	Note 11
Impairment loss/ Reversal of impairments	-	-	-	(381 203)	(381 203)	Note 18
Finance costs	(61 557 624)	-	(61 557 624)	(37 099 122)	24 458 502	Note 12
Lease rentals on operating lease(Other material)	(8 375 568)	(1 360 499)	(9 736 067)	(25 680 877)	(15 944 810)	Note 19
Debt Impairment	(28 595 184)	(5 000 000)	(33 595 184)	(203 669 090)	(170 073 906)	Note 13
Bulk purchases	(200 425 440)	-	(200 425 440)	(202 586 096)	(2 160 656)	Note 14
Contracted Services	(66 618 700)	(9 656 662)	(76 275 362)	(52 836 937)	23 438 425	Note 15
Transfers and Subsidies	(840 000)	-	(840 000)	-	840 000	
General expenses	(51 982 059)	(10 441 498)	(62 423 557)	(58 361 528)	4 062 029	Note 16

Total expenditure	(726 353 011)	(9 048 281)	(735 401 292)	(863 177 925)	(127 776 633)	
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Operating surplus

72 911 412	39 541 719	112 453 131	54 482 707	(57 970 424)	
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Loss on disposal of assets and liabilities	-	-	-	(282 243)	(282 243)	
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Modimolle-Mookgophong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gain on foreign exchange	-	-	-	59 096	59 096	
Actuarial gains/losses	-	-	-	(3 572 834)	(3 572 834)	Note 18
Gain on biological assets and agricultural produce	-	-	-	1 125 474	1 125 474	
Inventories losses/write-downs	-	-	-	120 356	120 356	Note 18
	-	-	-	(2 550 151)	(2 550 151)	
Surplus before taxation	72 911 412	39 541 719	112 453 131	51 932 556	(60 520 575)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	72 911 412	39 541 719	112 453 131	51 932 556	(60 520 575)	

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	2 453 963	-	2 453 963	1 752 971	(700 992)	Note 20
Other Receivables	-	-	-	11 859 555	11 859 555	Note 22
Receivables from non-exchange transactions	259 810 660	-	259 810 660	342 202 039	82 391 379	Note 23
Consumer debtors	537 527 842	(7 135 740)	530 392 102	366 797 169	(163 594 933)	Note 24
VAT Receivable	-	-	-	64 960 700	64 960 700	Note 18
Deposits	-	-	-	808 652	808 652	Note 18
Cash and cash equivalents	30 564 161	8 901 055	39 465 216	12 410 977	(27 054 239)	
	830 356 626	1 765 315	832 121 941	800 792 063	(31 329 878)	

Non-Current Assets

Investment property	17 206 951	-	17 206 951	26 101 520	8 894 569	Note 25
Property, plant and equipment	1 303 069 469	46 611 209	1 349 680 678	1 362 087 805	12 407 127	Note 26
Intangible assets	4 911 036	-	4 911 036	3 730 569	(1 180 467)	
Heritage assets	161 314	-	161 314	1 286 787	1 125 473	
Other financial assets	133 353	-	133 353	135 531	2 178	
	1 325 482 123	46 611 209	1 372 093 332	1 393 342 212	21 248 880	

Total Assets

2 155 838 749 48 376 524 2 204 215 273 2 194 134 275 (10 080 998)

Liabilities

Current Liabilities

Finance lease obligation	19 871	-	19 871	-	(19 871)	
Payables from exchange transactions	660 208 714	8 835 347	669 044 061	1 013 468 342	344 424 281	Note 27
Consumer deposits	19 698 250	-	19 698 250	13 224 290	(6 473 960)	
Employee benefit obligation	-	-	-	2 349 000	2 349 000	Note 18
Unspent conditional grants and receipts	-	-	-	4 880 727	4 880 727	Note 18
Provisions	-	-	-	4 505 353	4 505 353	
Long service awards	-	-	-	1 950 000	1 950 000	Note 18
	679 926 835	8 835 347	688 762 182	1 040 377 712	351 615 530	

Non-Current Liabilities

Employee benefit obligation	-	-	-	54 843 000	54 843 000	Note 28
Provisions	139 890 237	-	139 890 237	40 810 067	(99 080 170)	Note 28
Long service awards	-	-	-	16 350 000	16 350 000	Note 28
	139 890 237	-	139 890 237	112 003 067	(27 887 170)	

Total Liabilities

819 817 072 8 835 347 828 652 419 1 152 380 779 323 728 360

Net Assets

1 336 021 677 39 541 177 1 375 562 854 1 041 753 496 (333 809 358)

Modimolle-Mookgophong Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing development fund	483 263	-	483 263	-	(483 263)	
Accumulated surplus	1 335 538 414	39 541 177	1 375 079 591	1 041 753 496	(333 326 095)	
Total Net Assets	1 336 021 677	39 541 177	1 375 562 854	1 041 753 496	(333 809 358)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Taxation	111 899 208	-	111 899 208	-	(111 899 208)	Note 17
Sale of goods and services	332 442 276	26 904 676	359 346 952	261 402 356	(97 944 596)	Note 29
Government Grants	193 839 984	47 984 000	241 823 984	179 098 735	(62 725 249)	Note 30
Interest income	25 098 936	(24 098 936)	1 000 000	1 094 614	94 614	
Other receipts	128 943 144	(107 372 104)	21 571 040	8 424 458	(13 146 582)	Note 31
	792 223 548	(56 582 364)	735 641 184	450 020 163	(285 621 021)	

Payments

Suppliers and employees	(584 097 072)	-	(584 097 072)	(371 517 005)	212 580 067	
Finance costs	(46 168 212)	-	(46 168 212)	-	46 168 212	Note 22
	(630 265 284)	-	(630 265 284)	(371 517 005)	258 748 279	

Net cash flows from operating activities **161 958 264** **(56 582 364)** **105 375 900** **78 503 158** **(26 872 742)**

Cash flows from investing activities

Purchase of property, plant and equipment	(70 398 480)	(41 824 685)	(112 223 165)	(101 842 011)	10 381 154	Note 21
Proceeds from sale of financial assets	133 353	(133 353)	-	-	-	

Net cash flows from investing activities **(70 265 127)** **(41 958 038)** **(112 223 165)** **(101 842 011)** **10 381 154**

Cash flows from financing activities

Employee benefit obligation payments	-	-	-	(1 566 971)	(1 566 971)	Note 18
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Net increase/(decrease) in cash and cash equivalents **91 693 137** **(98 540 402)** **(6 847 265)** **(24 905 824)** **(18 058 559)**

Cash and cash equivalents at the beginning of the year **46 312 481** **-** **46 312 481** **37 316 801** **(8 995 680)**

Cash and cash equivalents at the end of the year **138 005 618** **(98 540 402)** **39 465 216** **12 410 977** **(27 054 239)**

Reconciliation

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand							
Note	Reference	Explanation					
Note 1		Revenue on Service charges has a variance is 22% (Electricity, Water, Sanitation and Refuse) experienced an under development from the budget due to a decline in the economic activities impacted by the COVID19 pandemic.					
Note 2		Rental activities went below the projected budget by 56% as a result of National Lockdown regulations restricting public gatherings where most of the municipal halls and stadiums were not utilized for most part of the financial year. The continued Lockdown could not be adequately budget for.					
Note 3		The intensive drive/ measures initiated to improve revenue collection saw a revenue collection going above the projected budget. A new revenue stream of Traffic fines was implemented resulting in a 20% increase.					
Note 4		Sundry income included selling of municipal properties. Failure to finalize the processes resulted in the actual revenue on Other sundry income going below the projected budget. The sale will be conducted in the 2021/22 financial year. In general regular sundry income increase marginally compared to the actual of the prior year. The variance is noted as 73%.					
Note 5		Challenges with implementation of new valuation roll and some objections from consumers had an impact on collecting projected budget and due to a decline in the economic activities. There was also reclassification of Tariffs based on use as per MPRA Regulations. The variance is 22%.					
Note 6		Licenses and Permits (non-exchange) went below the projected budget by 89% and this is attributed to the restructuring of the SLA with the department of transport with regard to ENATIS. In the past the Municipality used to collect and transfer on an 80/20 split but due to increase liabilities the department now collects 100% and transfers 20% to the municipality.					
Note 7		Immaterial within DORA allocation. WSIG was the Schedule 6B.					
Note 8		Traffic fines, penalties and forfeits went above the projected budget. This may be attributed to the appointment of traffic management service provider. The appointment yielded some positive results as the Revenue from Exchange improved in the third and fourth quarters of the financial year. This increase is in excess of the norm due to the N1/R101 traffic to the North.					
Note 9		Immaterial					
Note 10		Immaterial					
Note 11		Immaterial					
Note 12		Finance costs went below the budgeted figures as a result of less interest payment on Eskom debt. Finance cost represents 62%.					
Note 13		As a result of indigent write off approved by council. Debt Impairment represents 506% which is a non-cash item.					
Note 14		Immaterial					
Note 15		The Municipality implemented the Financial recovery plan which included a strategy for the reduction of Consultants. The positive results of this strategy is at 29% performance against Budget.					
Note 16		Immaterial					
Note 17		Receipts from property rates revenue has been included within the services revenue in the computation of cashflows					

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand							
Note 18	Line item not provided for in terms of the NT MSCOA Budget schedules as such there are no budgeted amounts.						
Note 19	The Municipality planned to buy own vehicles and reduce on the leased Vehicles. The Lease Rentals represents 148%						
Note 20	Inventory has a variance of 29% because of cash constraints challenges.						
Note 21	The municipality spent less than budgeted on capital projects due to the interruptions of the lockdown.						
Note 22	The payments of interest on overdue accounts is accounted within payments to suppliers and service providers.						
Note 23	Traffic fines went above the projected budget. This may be attributed to the appointment of traffic management service provider. The appointment yielded some positive results as the Receivables from Non-Exchange improved in the third and fourth quarters of the financial year. This increase is in excess of the norm due to the N1/R101 traffic to the North. The increase Consumer Debtors - Rates is due to the Re-classification of Properties per use in terms of the MPRA and Tariff alignment.						
Note 24	Consumer Debtors has a variance of 31%, this can be attributed to the interest waiver initiative, the implementation of the indigent policy and staff debtors.						
Note 25	The variance is a result of a change in accounting estimates.						
Note 26	Immaterial						
Note 27	The amount is inclusive of unallocated deposits and Payment received in advance plus year end transactions for completeness which were paid in July. The municipality has a debt repayment arrangement with Eskom.						
Note 28	The expected receipts did not materialise due to business disruptions.						
Note 29	The municipality over projected the collections and the national lockdown worsened the collection levels as consumers struggled to service their accounts.						
Note 30	Some grants were withheld due to underspending in the prior years.						
Note 31	The expected receipts did not materialise due to business disruptions.						

Modimolle-Mookgophong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade 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 trade receivables is calculated on individual basis, based on collection pattern, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the account.

The municipality reconciles the age analysis to the control accounts by applying judgement on the allocation of VAT and interest to the debtors per service as the sub-module and general ledger do not maintain separate corresponding balances for VAT and interest.

Modimolle-Mookgophong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

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

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 20 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. These estimate are based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement medical obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

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

Allowance for doubtful debts

Impairment loss is recognised in surplus and deficit when there is objective evidence that it is a debtor 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.

Modimolle-Mookgophong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied include the proportion of fees in the arrangement.

Impairment of statutory receivables

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

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

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

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Accounting Policies

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.

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	60 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.

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

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

- Whether the municipality uses the land and/or buildings to provide goods or services in accordance with its mandated functions specified in legislation or similar means.
- Assess the nature of the fee charged, particularly whether the fee is for the use of the property, or a fee for the goods or services it provides. If the fee charged relates to goods or services provided, then the property is used to provide goods or services rather than for rental.
- Whether it holds the land and/or buildings for disposal, through sale or transfer, in its ordinary course of operations, e.g. an entity that frequently acquires and transfers or sells land to beneficiaries of a land redistribution programme.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Investment property (continued)

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

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 period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 80 years

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Property, plant and equipment (continued)

Furniture and fixtures	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 - 20 years
Office equipment	Straight-line	3 - 10 years
Community	Straight-line	7 - 100 years
Other property, plant and equipment	Straight-line	2 - 15 years
Sport and Recreational	Straight-line	7 - 100 years
Bins and containers	Straight-line	3 - 10 years
Emergency Equipment	Straight-line	4 - 100 years
Electricity Network	Straight-line	4 - 100 years
Road and Storm Water Network	Straight-line	4 - 100 years
Wastewater network	Straight-line	4 - 100 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.7 Site restoration and dismantling cost

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

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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1.8 Intangible assets (continued)

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	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years
Electrical servitudes	Straight-line	Indefinite
Sanitation servitudes	Straight-line	Indefinite
Stormwater servitudes	Straight-line	Indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Intangible assets are derecognised:

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

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

1.9 Heritage assets

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

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

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

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

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

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

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

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1.9 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, 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.

Impairment

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

Transfers

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

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

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1.9 Heritage assets (continued)

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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1.10 Financial instruments (continued)

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

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

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

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

Classification

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

Class	Category
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

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

1.11 Leases

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

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

Finance leases - 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.

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1.11 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.12 Inventories (continued)

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

Designation

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

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

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1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Designation

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 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.

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1.17 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 an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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 45.

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Accounting Policies

1.17 Provisions and contingencies (continued)

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

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, a 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.

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Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

1.18 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.

1.19 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.

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1.19 Revenue from exchange transactions (continued)

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

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

Measurement

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

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

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 surveys of work performed.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

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

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.

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

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

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.24 Fruitless and wasteful expenditure

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

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1.24 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Fruitless and wasteful expenditure that was incurred and identified during the current financial is treated in terms of the requirements of s32 of MFMA and Circular 68 of MFMA.

1.25 Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a MFMA Circular No 68 Unauthorised, Irregular, Fruitless and Wasteful Expenditure June 2019 Page 6 of 17 requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial is treated in terms of the requirements of s32 of MFMA and Circular 68 of MFMA.

1.26 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.27 Commitments

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

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.

1.28 Budget information

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

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

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

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Accounting Policies

1.28 Budget information (continued)

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

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

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

1.29 Related parties

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

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

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

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

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

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

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

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

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

1.30 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation	Effective date	Expected impact
GRAP 110 - Living and non-living resources	01 April 2021	No material effect
IGRAP 20 - Adjustments to revenue	01 April 2021	No material effect
GRAP 104 - Financial Instruments	01 April 2021	Material effect on impairment of receivables

2.2 Standards and Interpretations early adopted

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

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date:	Expected impact
GRAP 25 Employee obligations	01 April 2021	Unlikely to have a material effect
GRAP 104 Financial Instruments	01 April 2021	Material impact on the reporting of receivables
IGRAP 7 Limit on a Defined Benefit Asset Min Fund Requirements and interact	01 April 2021	Unlikely to have a material effect
IGRAP 21 The Effect of Past Decisions on Materiality	01 April 2021	Unlikely to have a material effect

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
3. Inventories		
Consumable stores	1 443 522	2 251 251
Water for distribution	309 449	189 093
	1 752 971	2 440 344
Inventories recognised as an expense during the year	(3 910 168)	(5 314 725)
Inventory pledged as security		
No inventory was pledged as security.		
Water for distribution		
Opening balance	309 449	189 093
4. Other Receivables		
Other receivables	437 374	176 689
Prepaid electricity vendors	-	704 529
Agency fees	8 703 828	4 900 469
Prepaid expenses	2 718 353	-
	11 859 555	5 781 687
5. Receivables from non-exchange transactions		
Fines	172 355 810	260 550
Consumer debtors - Rates	245 113 740	181 289 789
Less: Impairment	(75 267 511)	(15 005 565)
	342 202 039	166 544 774
Receivables from non-exchange transactions pledged as security		
Receivables from non-exchange transactions were not pledged as security.		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables from non-exchange transactions		
Property rates		
Current (0-30 days)	10 726 817	-
31 - 60 days	7 948 083	9 965 954
61 - 90 days	7 702 403	7 839 834
91 - 120 days	7 477 662	7 319 753
121 - 365 days	51 505 095	45 248 236
> 365 days	159 753 680	110 916 012
Impairment	(75 267 511)	(15 005 565)
	169 846 229	166 284 224

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are past due were not considered to be impaired. At 30 June 2021, 50 149 912 (2020: 24 308 230) were past due but not impaired.

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

1 month past due	3 693 320	9 589 223
2 months past due	3 445 690	7 399 254
3 months past due	43 010 902	7 319 753

Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of 188 637 503 (2020: 157 576 974) were impaired and provided for.

The amount of the provision was 75 267 511 as of 30 June 2021 (2020: 15 005 565).

The ageing of these receivables is as follows:

1 to 3 months	12 911 968	-
3 to 6 months	12 716 692	12 983 479
Over 6 months	163 008 843	144 593 495

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

Opening balance	15 005 565	11 205 210
Provision for impairment	60 261 946	3 800 355
	75 267 511	15 005 565

Traffic fines receivable

The municipality embarked on enhanced law enforcement of the traffic by-laws and this resulted in increased volume of traffic fines issued during the financial year. The majority of traffic fines were issued for speeding along the the R101 road and the municipality has employed the services of Traffic Management Technologies(TMT) to manage the issuance and collection of fines.

The traffic fines although past due were not impaired in the financial year as management considered and estimated that the debt is fully recoverable. Management is in the process of developing a policy for the management and reporting of the traffic fines. Impairment considerations will be assessed and reviewed in the next financial year upon approval of formal policy. Currently section 341 of the Criminal Procedure Act has been applied which provides that outstanding traffic issued should be cancelled after 18 months if no summons are issued. As such, the system has only been implemented from October 2020 and provides reasonable assumptions for management not to impair the debt.

6. Receivables from exchange transactions

Gross balances

Electricity	88 848 909	89 721 852
Water	273 393 407	191 155 285
Waste water	77 370 105	78 512 243
Refuse	57 786 840	62 200 254
Business service levies	5 357 134	5 282 552
Housing rental	6 761 089	7 599 574
	509 517 484	434 471 760

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6. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(24 496 231)	(7 416 967)
Water	(68 530 058)	(16 246 646)
Waste water	(23 834 513)	(6 728 873)
Refuse	(19 475 913)	(5 444 704)
Business service levies	(3 288 111)	(487 180)
Housing rental	(3 095 489)	(730 942)
	(142 720 315)	(37 055 312)
Net balance		
Electricity	64 352 678	82 304 885
Water	204 863 349	174 908 639
Waste water	53 535 592	71 783 370
Refuse	38 310 927	56 755 550
Business service levies	2 069 023	4 795 372
Housing rental	3 665 600	6 868 632
	366 797 169	397 416 448
Electricity		
Current (0 -30 days)	7 386 307	6 669 316
31 - 60 days	5 783 558	4 240 575
61 - 90 days	2 977 061	3 892 546
91 - 120 days	2 562 589	-
121 - 365 days	26 223 349	28 463 121
> 365 days	43 916 045	46 545 768
Impairment	(24 496 231)	(7 506 441)
	64 352 678	82 304 885
Water		
Current (0 -30 days)	7 476 050	-
31 - 60 days	7 668 145	8 321 118
61 - 90 days	6 623 885	6 113 679
91 - 120 days	6 743 970	5 862 467
121 - 365 days	74 913 706	43 406 669
> 365 days	169 967 653	127 451 352
Impairment	(68 530 060)	(16 246 646)
	204 863 349	174 908 639
Sewerage		
Current (0 -30 days)	2 676 559	-
31 - 60 days	2 126 637	2 966 216
61 - 90 days	2 092 051	2 550 199
91 - 120 days	1 767 825	2 432 998
121 - 365 days	14 293 143	17 922 016
> 365 days	54 413 889	52 688 687
Impairment	(23 834 512)	(6 776 746)
	53 535 592	71 783 370

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6. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	1 557 077	-
31 - 60 days	1 073 820	2 087 482
61 - 90 days	1 025 656	1 711 323
91 - 120 days	1 011 872	1 592 624
121 - 365 days	9 734 460	11 243 184
> 365 days	43 383 955	45 574 174
Impairment	(19 475 913)	(5 453 237)
	38 310 927	56 755 550
Business service levies		
Current (0 -30 days)	47 061	-
31 - 60 days	25 601	65 232
61 - 90 days	26 258	21 123
91 - 120 days	29 421	16 156
121 - 365 days	147 388	201 776
> 365 days	5 081 404	4 975 298
Impairment	(3 288 110)	(484 213)
	2 069 023	4 795 372
Housing rental		
Current (0 -30 days)	55 627	-
31 - 60 days	38 974	51 983
61 - 90 days	37 239	31 756
91 - 120 days	43 874	30 951
121 - 365 days	272 363	266 655
> 365 days	6 313 012	7 213 845
Impairment	(3 095 489)	(726 558)
	3 665 600	6 868 632

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6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	10 935 849	1 376 677
31 - 60 days	10 108 419	12 527 707
61 - 90 days	9 402 766	10 003 943
91 - 120 days	9 333 809	8 895 325
121 - 365 days	97 634 101	72 297 495
> 365 days	281 405 365	244 678 224
	418 820 309	349 779 371
Industrial/ commercial		
Current (0 -30 days)	6 911 445	4 571 802
31 - 60 days	5 573 795	4 142 021
61 - 90 days	2 720 096	3 318 756
91 - 120 days	2 326 202	549 198
121 - 365 days	22 180 528	25 279 722
> 365 days	27 455 226	26 208 254
	67 167 292	64 069 753
National and provincial government		
Current (0 -30 days)	1 351 389	720 837
31 - 60 days	1 034 521	1 097 528
61 - 90 days	659 287	992 435
91 - 120 days	499 540	465 497
121 - 365 days	5 769 780	4 067 498
> 365 days	14 215 367	13 139 812
	23 529 884	20 483 607
Total		
Current (0 -30 days)	19 198 682	6 669 316
31 - 60 days	16 716 735	17 767 257
61 - 90 days	12 782 149	14 315 134
91 - 120 days	12 159 551	9 910 020
121 - 365 days	125 584 409	101 788 187
> 365 days	323 075 958	284 021 846
	509 517 484	434 471 760
Less: Allowance for impairment	(142 720 315)	(37 055 312)
	366 797 169	397 416 448
Less: Allowance for impairment		
91 - 120 days	-	(1 001 737)
121 - 365 days	-	(191 871)
> 365 days	(142 720 315)	(35 861 704)
	(142 720 315)	(37 055 312)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(37 055 312)	(24 489 171)
Contributions to allowance	(105 665 003)	(12 566 141)
	(142 720 315)	(37 055 312)

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6. Receivables from exchange transactions (continued)

Consumer debtors pledged as security

Consumer debtors were not pledged as security.

Consumer debtors(exchange receivables) past due but not impaired

Some consumer debtors which are more than 30 days were past due but not considered to be impaired. At 30 June 2021, 42 479 415 (2020: 68 987 963) were past due but not impaired.

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

1 month past due	3 367 708	28 281 355
2 months past due	2 256 883	22 801 441
Over 3 months past due	36 854 823	17 905 166

Consumer debtors(exchange receivables) impaired

As of 30 June 2021, consumer debtors of 462 104 052 (2020: 544 621 997) were impaired and provided for.

The amount of the provision was 142 720 314 as of 30 June 2021 (2020: 37 055 312).

The ageing of these receivables is as follows:

0 to 6 months	69 434 683	46 538 963
Over 6 months	392 669 368	498 083 035

7. VAT Receivable

Value Added Tax	64 960 700	46 715 432
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The municipality is registered for VAT

VAT is payable/receivable on the receipts and payment basis. Only once payment is received from debtors, VAT is paid over to SARS. The amount presented in this note includes VAT accounted for on an accrual basis thus not recoverable from SARs.

The VAT on cash basis is (payable)/receivable balance of -R 16 066 998 (2020: R 8 230 760).

8. Deposits

The deposit is held by Eskom and Magalies Water for bulk services rendered to the municipality.

The below deposits are unsecured.

Eskom Deposit	612 194	588 082
Magalies Water Deposit	196 458	-
	<u>808 652</u>	<u>588 082</u>

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 518 181	12 530 282
Short-term deposits	10 892 796	24 786 519
	<u>12 410 977</u>	<u>37 316 801</u>

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9. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for [Water account] 900 000 900 000

Fixed deposit amounting to R900 000 has been pledged to Magalies Water for a deposit. The Investment is renewable annually. Fixed deposit is held with First National Bank, account number 710 5722 0470.

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
Standard Bank- Primary Account - 330 506 137	939 390	7 996 545	2 853 937	-	7 859 780	-
Standard Bank- Eskrow Account - 312 350 18	2 211 598	4 947 733	-	1 518 181	4 947 733	-
ABSA - Fixed Deposit Account - 405 963 6391	-	55 466	53 254	-	55 466	53 254
ABSA - Call Account - 92 5502 6252	-	65 275	61 481	-	65 275	61 481
ABSA - Call Account - 92 8651 1602	-	24 065	23 326	-	24 065	23 326
Standard Bank- 32 Days Account - 0388 3585 1007	3 405 359	13 465 082	17 423 529	3 405 359	13 465 082	17 604 645
Standard Bank- 32 Days Account - 0388 3585 1009	5 849 052	358 585	-	5 849 015	358 585	-
First National Bank - Call Account - 620 3596 2720	723 518	697 716	630 740	723 518	697 716	630 740
First National Bank - Call Account - 621 0442 5295	-	32 443	31 922	-	32 443	31 923
First National Bank - Call Account - 627 4815 7056	-	2 544 065	2 403 011	-	2 544 065	2 403 011
First National Bank - Fixed Deposit Account - 710 5722 0470	900 000	900 000	900 000	900 000	900 000	900 000
Nedbank - Call Account - 788 1103 124/13	-	6 366 591	6 034 157	-	6 366 591	6 001 845
Standard Bank - Current Account - 083147608	5 790	-	-	5 790	-	-
Standard Bank - Current Account - 0388 3585 1008	4 378	-	-	4 378	-	-
Standard Bank - Current Account - 0388 3585 1003	4 736	-	-	4 736	-	-
Total	14 043 821	37 453 566	30 415 357	12 410 977	37 316 801	27 710 225

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10. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	27 117 120	(1 015 600)	26 101 520	27 117 120	(966 067)	26 151 053

Reconciliation of investment property - Statement of Changes in Net Assets

	Opening balance	Depreciation	Total
Investment property	26 151 053	(49 533)	26 101 520

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	26 183 453	(32 400)	26 151 053

Pledged as security

None of the carrying value of the above Investment property is pledged as security:

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

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11. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	466 252 084	-	466 252 084	466 252 085	-	466 252 085
Other property, plant and equipment	74 131 591	(48 930 902)	25 200 689	69 315 363	(46 579 367)	22 735 996
Infrastructure	1 178 693 126	(567 408 133)	611 284 993	1 164 399 551	(528 542 068)	635 857 483
Community	89 832 492	(51 808 807)	38 023 685	90 002 325	(49 367 251)	40 635 074
Work-in-progress	180 303 766	-	180 303 766	98 215 763	-	98 215 763
Solid waste disposal	41 364 823	(918 266)	40 446 557	49 705 835	(821 102)	48 884 733
Finance lease assets	9 036 699	(8 460 668)	576 031	9 036 700	(8 397 335)	639 365
Total	2 039 614 581	(677 526 776)	1 362 087 805	1 946 927 622	(633 707 123)	1 313 220 499

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Statement of Changes in Net Assets

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	466 252 086	-	-	-	-	-	-	466 252 084
Other property, plant and equipment	22 735 996	4 919 883	(51 451)	-	-	(2 403 739)	-	25 200 689
Infrastructure	635 857 483	1 633 377	(281 691)	13 011 134	-	(38 741 171)	(194 139)	611 284 993
Community assets	40 635 074	-	(1 856)	-	-	(2 609 533)	-	38 023 685
Work-in-progress	98 215 763	95 288 751	-	(13 011 134)	-	-	(189 614)	180 303 766
Solid waste disposal	48 884 733	-	(2 386)	-	(8 336 487)	(99 303)	-	40 446 557
Finance lease assets	639 365	-	-	-	-	(63 334)	-	576 031
	1 313 220 500	101 842 011	(337 384)	-	(8 336 487)	(43 917 080)	(383 753)	1 362 087 805

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss/reversal	Total
Land	466 252 085	-	-	-	-	-	466 252 085
Other property, plant and equipment	24 347 368	346 555	-	-	(2 360 983)	403 056	22 735 996
Infrastructure	641 266 008	1 475 658	(458 773)	56 313 572	(59 615 877)	(3 123 105)	635 857 483
Community assets	42 126 710	-	-	105 857	(3 227 027)	1 629 534	40 635 074
Work-in-progress	123 431 650	37 995 338	-	(56 313 572)	-	(6 897 653)	98 215 763
Solid waste disposal	48 975 565	-	(7 994)	-	(82 838)	-	48 884 733
Finance lease assets	1 160 382	-	(238 344)	-	(282 673)	-	639 365
Libraries	105 857	-	-	(105 857)	-	-	-
	1 347 665 625	39 817 551	(705 111)	-	(65 569 398)	(7 988 168)	1 313 220 499

Pledged as security

None of the Carrying value of assets is pledged as security.

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed at year-end and the changes were accounted for as change in estimate and the effect of the change is disclosed on the note for change in estimates.

Assets subject to finance lease (Net carrying amount)

Finance lease assets	576 031	639 365
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11. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Vehicle Bridge	1 530 430	1 530 430
The project was stalled due to litigation with the Engineers(2 consultants and 1 turnkey contractor). However, the litigation was and it was planned to resume in 2020/21 as COGTA committed to fund the project. The project is now in progress subsequent to year-end.		
Refurbishment of Donkerpoort treatment plant	409 159	409 159
The project could not be fully implemented due to lack of funding as the funds that were budgeted and allocated were previously misallocated.		
Upgrading of 2ML Wastewater Treatment plant in Roedtan	224 593	224 593
The project could not be fully implemented due to lack of funding as the funds that were budgeted and allocated were previously misallocated.		
Modimolle Pressure Tower Driehek	3 097 597	3 097 597
The project was not completed as the previous contractor was liquidated while the project was at 96% stage of completion. There is currently no additional funding to complete the project.		
	5 261 779	5 261 779

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Bulk Stormwater Connection Extension 2 and 3	-	1 206 304
The project is now deregistered due to escalation of costs and the expenditure previously capitalised as WIP will be written-off.		
Bulk Stormwater Connection Extension 1 and 2	-	1 683 372
The project is now deregistered due to escalation of costs and the expenditure previously capitalised as WIP will be written-off.		
	-	2 889 676

Reconciliation of Work-in-Progress Statement of Changes in Net Assets

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	70 213 291	21 123 373	6 879 099	98 215 763
Additions/capital expenditure	93 085 260	2 203 491	-	95 288 751
Other movements - Impairment	(189 614)	-	-	(189 614)
Transferred to completed items	(13 011 134)	-	-	(13 011 134)
	150 097 803	23 326 864	6 879 099	180 303 766

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11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	108 514 600	8 829 259	6 087 792	123 431 651
Additions/capital expenditure	24 909 918	12 294 114	791 307	37 995 339
Other movements-Write-off	(6 897 655)	-	-	(6 897 655)
Transferred to completed items	(56 313 572)	-	-	(56 313 572)
	70 213 291	21 123 373	6 879 099	98 215 763

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

Infrastructure	7 787 202	2 457 791
Buildings	170 835	487 412
Other property, plant and equipment	673 121	4 388 301
	8 631 158	7 333 504

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

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12. 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	3 258 582	(2 170 127)	1 088 455	3 258 582	(1 151 362)	2 107 220
Servitudes	2 642 114	-	2 642 114	2 642 114	-	2 642 114
Total	5 900 696	(2 170 127)	3 730 569	5 900 696	(1 151 362)	4 749 334

Reconciliation of intangible assets - Statement of Changes in Net Assets

	Opening balance	Amortisation	Total
Computer software, other	2 107 220	(1 018 765)	1 088 455
Servitudes	2 642 114	-	2 642 114
	4 749 334	(1 018 765)	3 730 569

Reconciliation of intangible assets - 2020

	Opening balance	Disposals	Amortisation	Impairment loss	Impairment reversal	Total
Computer software, other	3 258 582	(60 821)	(1 074 840)	(76 522)	60 821	2 107 220
Servitudes	2 642 114	-	-	-	-	2 642 114
	5 900 696	(60 821)	(1 074 840)	(76 522)	60 821	4 749 334

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13. Heritage assets

Heritage assets which fair values cannot be reliably measured: (Para .94)

Art Collections, antiquities and exhibits

2021			2020		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
1 286 787	-	1 286 787	100 492	60 821	161 313

Reconciliation of heritage assets Statement of Changes in Net Assets

Heritage assets which fair values cannot be reliably measured: (Para .94)

Art Collections, antiquities and exhibits

Opening balance	Revaluation increase/(decr ease)	Total
161 313	1 125 474	1 286 787

Reconciliation of heritage assets 2020

Heritage assets which fair values cannot be reliably measured: (Para .94)

Art Collections, antiquities and exhibits

Opening balance	Total
161 313	161 313

Heritage assets which fair values can be reliably measured

Mayoral chains

The mayoral chains were reliably measured at fair value by independent valuer, Die Goudsmid who specialise in design, manufacturing and trading of jewellery.

Pledged as security

None of the above carrying value of heritage assets is pledged as security:

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13. Heritage assets (continued)

Change in accounting policy

The mayoral chains were taken for repairs and in the process it was discovered that the cost of repairs is way more than the carrying value of the assets. This prompted that change in accounting policy to give a fair presentation of the carrying value in the annual financial statement and secure adequate insurance cover for the assets. The change in policy from cost to revaluation is done prospectively.

The nature and effect of change(s) in an accounting estimate(s) is as follows:

Increase in value of Heritage assets by R 1 125 474.

Fair value of heritage assets (measured at cost less accumulated impairment losses)

	Carrying amount 2021	Fair value 2021	Carrying amount 2020
Art Collections, antiquities and exhibits	1 347 608	1 347 608	161 303

Expenditure incurred to repair and maintain heritage assets

Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance

Mayoral chains	5 000	-
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The mayoral chain was broken and required fixing and updating of the logo.

14. Other financial assets

Designated at fair value

NTK Shares

135 531 134 854

The shares held in NTK are for the purposes of holding an account with the entity. NTK shares earn dividends that are payable to the Municipality every 15 years. The shares are unsecured.

Non-current assets

NTK Shares

135 531 134 854

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14. Other financial assets (continued)

Financial assets at fair value

Reconciliation of financial assets at fair value through surplus or deficit

Reconciliation of financial assets at fair value through surplus or deficit measured in level 3 - Statement of Changes in Net Assets

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Class 1 Normal shares	5 000	-	5 000
Class 2 Preferential shares	32 520	83	32 603
Class 3 Preferential shares	77 919	-	77 919
Security investments	19 415	594	20 009
	134 854	677	135 531

Reconciliation of financial assets at fair value through surplus or deficit measured in level 3 - 2020

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Class 1 Normal shares	5 000	-	5 000
Class 2 Preferential shares	32 450	70	32 520
Class 3 Preferential shares	77 919	-	77 919
Security investments	17 984	1 431	19 415
	133 353	1 501	134 854

15. Payables from exchange transactions

Trade payables	821 129 393	692 117 891
Payments received in advanced	31 685 758	15 069 254
Salary control	1 265	-
Accrued leave pay	33 246 006	33 076 086
Accrued bonus	6 981 294	4 436 139
Retentions	5 857 098	4 341 579
Tax Control	9 452 872	4 313 307
Pension Funds Control	6 418 488	11 862 463
Medical Aid Control	1 693 860	801 458
Unallocated deposits	97 002 312	95 511 732
	1 013 468 346	861 529 909

The municipality has not included on the statement of financial position any liability for unutilised pre-paid electricity as the balance is considered to be immaterial.

16. Consumer deposits

Electricity and water	12 428 198	8 272 761
Deposits on closed accounts	796 092	3 970 069
	13 224 290	12 242 830

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17. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	57 192 000	49 445 000
Non-current liabilities	(54 843 000)	(47 048 000)
Current liabilities	(2 349 000)	(2 397 000)
	(57 192 000)	(49 445 000)

The Projected Unit Credit Method has been used to value the liabilities. The liability for eligible employees is accrued over their expected working lifetimes. The average expected remaining working-lifetime of eligible employees is 15.6 years. The liability is valued by an Independent and qualified Actuary, Chanan Weiss from ARCH Actuarial Consulting.

The unfunded liability in respect of past service has been estimated to be as follows:

In-service (employee) members	25 786 000	20 410 000
In-service (employee) non-members	6 014 000	5 034 000
Continuation (retiree and widow) members	25 392 000	24 001 000
Carrying value	57 192 000	49 455 000

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

Opening balance	49 445 000	52 590 443
Expected employer benefit payments	(2 397 000)	(2 019 605)
Net expense recognised in the statement of financial performance	10 144 000	(1 125 838)
	57 192 000	49 445 000

Net expense recognised in the statement of financial performance

Current service cost	1 960 000	2 399 138
Interest cost	4 963 000	4 841 231
Actuarial (gains) losses	3 221 000	(8 366 207)
	10 144 000	(1 125 838)

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17. Employee benefit obligations (continued)

Defined benefit plan

Post retirement medical aid plan

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

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

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

Eligible employees will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement. .

Continuation members and their eligible dependants receive a subsidy of 70%.

Upon a member's death-in-service, surviving dependants are allowed to commence receipt of the same post-employment subsidy. Upon a member's death-in-retirement, surviving dependants are allowed to continue to receive the same subsidy.

All post-employment subsidies are subject to a maximum of R 4 773.12 per member per month, for the year ending 30 June 2021. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

The post-employment health care benefit is a defined benefit plan, which is made up as follows:

Eligible in-service members

Number of in-service members	278	275
Number of in-service non-members	248	265
Average age	46.5	45
Average past service	13.2	12
Average number of total dependants (members)	1	1
Proportion with a spouse dependant (Percentage of members)	39	43-
Continuing members		
Number of principal members	48	48
Average age of members	73.4	72
Average number of dependants	-	-
Proportion with a spouse dependant(%)	54	54
Average 2021 subsidy per month(Rands)	4 083	4 033

Key assumptions used

Financial assumptions

Discount rates used	9,99 %	10,00 %
Health care cost inflation rate	6,79 %	6,36 %
Expected increase in salaries	3,00 %	3,69 %
Net-of-maximum-subsidy-inflation discount rate	4,72 %	4,40 %
	5,03 %	5,64 %

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17. Employee benefit obligations (continued)

Demographic assumptions

Actual return on plan assets		62	62
Continuation of membership at retirement	75%		75 %
Proportion with a spouse dependant at retirement	60%	60%	
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15%	15%	
Mortality during employment	SA 85-90	SA 85 - 90	
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) - 1 with a 1% mortality improvement p.a. from 2010	

Sensitivity analysis

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in the actuarial report. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	-	52
Effect on defined benefit obligation	-	44
	-	48

It is difficult to estimate the impact of the COvid 19 pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected. Medical scheme contributions are also likely to increase by more than expected. Amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Defined benefit obligation	57 192 000	49 445 000	52 599 443	42 794 000	38 943 000
Surplus (deficit)	57 192 000	49 445 000	52 599 443	42 794 000	38 943 000

18. Long service awards

Changes in the present value of the long service liability is:

Opening balance	15 040 000	12 346 997
Net expense recognised in the statement of financial performance	3 260 000	2 676 594
	18 300 000	15 023 591
Current liability	1 950 000	2 165 591
Non-current liability	16 350 000	12 858 000
	18 300 000	15 023 591

Net expense recognised in the financial statement performance

Current service cost	1 309 000	1 209 434
Interest cost	1 020 000	972 059

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18. Long service awards (continued)		
Expected employee benefit vesting	(2 182 000)	(945 857)
Actuarial (gain)/loss	55 000	1 457 367
Past service costs	3 058 000	
	3 260 000	2 693 003

Amounts for the current and previous year are as follows

Unfunded accrued liability	18 300 000	15 023 591
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The Municipality offers all employees Long Service Leave Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2020.

The Municipality also offers all employees Long Service Cash Bonuses for every five years of service completed, from five years of service to 45 years of service, inclusive.

Employees will also be eligible to receive a long service voucher upon reaching 25 years of service, with a maximum value of half of the monthly earnings of the recipient.

Financial Assumptions:

Discount rate	7.30%
General earnings inflation rate (long-term)	3.95%
Net effective discount rate	3.22%

The earnings used in the valuation include an increase on 1 July 2021(2020: 6.25%) as per the SALGBC Circular No. 02/2020. The next general earnings increase was assumed to take place on 1 July 2022.

Demographic Assumptions:

Average retirement age	62	
Mortality during employment	SA 85-90	
Withdrawal from service (sample annual rates):		
Age	Female	Male
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55	0%	0

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	4 105 440	11 372 652
Extended Public Works Programme Grant	-	247 163
Integrated National Electrification Programme Grant	-	12 280 906
Water Services Infrastructure Grant	775 287	-
Municipal System Improvement Grant	-	1 024 338
	4 880 727	24 925 059

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19. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	24 925 059	79 349 364
Additions during the year	88 028 044	69 426 475
Income recognition during the year	(91 719 970)	(47 084 594)
Withheld and off-set against equitable share	(15 328 068)	(76 766 186)
Forfeited to income	(1 024 338)	-
	4 880 727	24 925 059

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

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20. Provisions

Reconciliation of provisions - Statement of Changes in Net Assets

	Opening Balance	Interest cost	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	48 213 432	5 438 475	8 290 726	(16 627 213)	45 315 420

Reconciliation of provisions - 2020

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	43 974 309	4 239 123	48 213 432
Non-current liabilities		40 810 067	42 774 957
Current liabilities		4 505 353	5 438 475
		45 315 420	48 213 432

Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

The valuation for the landfill site was performed by Mr S Mapfurira, a Professional Civil Engineer from One Pangaea Expertise nad Solutions. As the landfill sites have not been rehabilitated at all, the provision required for these sites will be the full closure cost for the sites as at 30 June 2021 in terms of the licence condition of the sites at the time of closure.

The sites under consideration are:	Rehab Area(Ha)	Future Geohydro Obligation	Future Rehab Obligation
Modimolle landfill site	8.5 Ha	R 0	R 29 413 000
Vaalwater landfill site; and	2.0 Ha	R 0	R 9 209 194
Mookgophong landfill site	9.5 Ha	R 0	R 6 693 226

The rehabilitation costs of landfill sites that are to be permanently closed are present day values, and will occur when the landfill site is rehabilitated. There was no geohydrological costs at time of rehabilitation.

In calculating the provision for rehabilitation, the following four items have been considered and included:

1. Direct Contract Cost
2. Indirect Professional Fees
3. Indirect disbursements
4. Escalation

Assumption	30 June 2021	30 June 2020
Discount rate (D)	9,94%	11,28%
Consumer price inflation (C)	6,03%	6,61%
Net discount rate $((1+D)/(1+H)-1)$	3,69%	4,38%

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21. Service charges		
Sale of electricity	186 313 462	198 727 881
Sale of water	81 849 621	67 652 389
Sewerage and sanitation charges	22 427 568	29 842 648
Refuse removal	14 849 328	19 999 973
	305 439 979	316 222 891
22. Interest, dividends and Rent on Land		
Interest received -Consumer debtors	40 111 578	27 146 860
The balance includes only interest levied on outstanding consumer debtors during the financial year.		
23. Sundry income		
Advertising boards	8 803	18 017
Building plan approval fees	1 080 159	277 994
Cemetery fees	409 792	359 734
Clearance and valuation certificate	481 279	384 367
Library fees	4 444	10 477
Tender documents	1 167 114	297 847
Handling fees	72 473	1 146 445
Connection and reconnection fees	65 255	622 860
Staff recoveries	825 636	750 565
	4 114 955	3 868 306
24. Investment revenue		
Interest revenue		
Bank	1 094 614	1 141 167
25. Rental of facilities and equipment		
Premises		
Premises	262 886	263 397
Facilities and equipment		
Rental of facilities	157 975	235 790
	420 861	499 187
26. Agency services		
Vehicle Registration	7 382 395	6 063 003

The municipality entered arrangement with the department of transport whereby the municipality is the agent for the licencing of vehicles and is entitled to 20% of the fee. The municipality records the 20% fee and recovers the receivables from the Department of Transport.

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27. Property rates

Rates received

Property rates	146 035 920	120 967 432
Less: Income forgone(rebates)	(34 428 432)	(25 267 268)
	<u>111 607 488</u>	<u>95 700 164</u>
Property rates - penalties imposed	18 534 398	11 504 030
	<u>130 141 886</u>	<u>107 204 194</u>

Valuations

Business and Commercial	1 492 528 000	1 492 528 000
Farm Properties - Agricultural Purposes	9 200 556 500	9 216 523 500
Farm Properties - Residential Properties	6 653 000	867 544 000
Industrial Properties	63 521 000	63 521 000
Public Benefit Organisations	13 295 000	13 295 000
Residential Properties - Developed	5 566 950 000	4 858 208 000
Residential Properties - Vacant land	814 404 000	655 602 000
Mining	42 361 000	42 361 000
Private own space	89 670 000	89 670 000
Public service purposes	210 040 000	212 700 000
Religious Use Property	52 702 000	52 702 000
Public open space	2 660 000	-
Multiple purposes use properties	9 314 000	-
Public Service Infrastructure	23 825 000	23 825 000
	<u>17 588 479 500</u>	<u>17 588 479 500</u>

In terms of Section 32 (1) (b) Municipal Property Rates Act 2004, valuations on land and buildings are to be performed every 4 years. The last general valuation was completed and came into effect on 1 December 2019.

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

Rebates of 20% (2020: 20%) are granted to residential and state property owners.

Interest at 12.65% per annum (2020: 12.65%) is levied on rates that are outstanding after due date

28. Licences and permits (non-exchange)

Road and Transport	<u>210 412</u>	<u>531 429</u>
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29. Interest from non-exchange receivables		
30. Government grants and subsidies		
Operating grants		
Equitable share	136 550 069	108 220 514
Financial Management Grant	2 500 000	3 000 000
Municipal Infrastructure Grant	1 998 527	1 820 609
Municipal Disaster Relief Grant	-	298 000
Expanded Public Works Programme Grant	1 233 000	1 000 000
Skills Development Grant	-	239 971
	142 281 596	114 579 094
Capital grants		
Municipal Infrastructure Grant (MIG)	34 815 685	25 364 740
Integrated National Electrification Programme Grant (INEP)	21 000 000	10 719 094
Water Services Infrastructure Grant (WSIG)	30 172 757	4 642 181
	85 988 442	40 726 015
	228 270 038	155 305 109
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	91 719 970	47 084 595
Unconditional grants received	136 550 068	108 220 514
	228 270 038	155 305 109
Equitable Share		
The Equitable Share is an unconditional grant and in terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The allocation as per the DORA for the current financial period was R136 622 000 (2020: R 109 995 000) and the municipality did not receive the full allocation as the grant was off-set against refundable unspent conditional grants due to National Treasury as follows:		
Equitable share reconciliation		
DORA Allocation Schedule	136 622 000	109 995 000
Off-setting against Unspent Water Services Infrastructure Grant	-	(47 814 140)
Off-setting against Unspent Municipal Infrastructure Grant	(2 800 000)	(17 962 523)
Off-setting against Unspent Integrated National Electrification grant	(12 280 906)	(5 951 003)
Off-setting against Unspent Municipal Demarcation Transition Grant	-	(1 938 847)
Off-setting against Unspent EPWP	(247 103)	-
Balance to be off-set	-	(1 774 487)
Net receipts	121 293 991	34 554 000
Municipal infrastructure grant (MIG)		
Balance unspent at beginning of year	11 372 652	17 962 523
Current-year receipts	32 347 000	38 558 000
Conditions met - transferred to revenue	(36 814 212)	(27 185 348)
Witheld and off-set against equitable share	(2 800 000)	(17 962 523)
	4 105 440	11 372 652

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30. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

The Municipal infrastructure grant is used to provide specific capital finance for the basic municipal infrastructural backlog for poor household, micro enterprise and social institution servicing poor communities. The allocation as per the DORA for the financial year was initially R 38 317 000, National Treasury reprioritised and Gazetted new allocations for the current year R32 347 000 (2020: R 38 558 000) resulting in a reduction of R5 500 000. and the municipality received the full allocation.

Municipal Demarcation Grant

Balance unspent at beginning of year	-	1 938 847
Witheld and off-set against equitable share	-	(1 938 847)
	-	-

To subsidise the additional institutional and administrative cost arising from major boundary changes due to come into effect at the time of the 2016 local government elections. This grant is no longer applicable.

Expanded public works programme (EPWP)

Balance unspent at beginning of year	247 163	247 163
Current-year receipts	1 233 000	1 000 000
Conditions met - transferred to revenue	(1 233 000)	(1 000 000)
Witheld and off-set against equitable share	(247 163)	-
	-	247 163

Conditions met.

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme. The allocation as per the DORA for the financial year was R 1 233 000 (2020: R 1 000 000) and the municipality received the full allocation and spent in accordance with the conditions of the grant.

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	12 280 906	5 951 003
Current-year receipts	21 000 000	23 000 000
Conditions met - transferred to revenue	(21 000 000)	(10 719 094)
Witheld and off-set against equitable share	(12 280 906)	(5 951 003)
	-	12 280 906

Conditions met.

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. The allocation as per the DORA for the financial year was initially R 34 000 000 and reduced with R13 000 000 by National Treasury for other priorities to R21 000 000 (2020: R 23 000 000) and the municipality received the full allocation and all conditions were met.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	49 125 817
Current-year receipts	30 948 044	3 330 504
Conditions met - transferred to revenue	(30 172 757)	(4 642 181)

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30. Government grants and subsidies (continued)		
Withheld	-	(47 814 140)
	775 287	-

Conditions still to be met - remain liabilities (see note 19).

To facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities. Provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development. The DORA allocation for the current year was R30 948 044 (R3 330 504).

Financial Management (FMG)

Current-year receipts	2 500 000	3 000 000
Conditions met - transferred to revenue	(2 500 000)	(3 000 000)
	-	-

To promote and support reforms in financial management by building capacities in municipalities to implements the Municipal Finance Management Act (MFMA).

The allocation as per the DORA for the financial year was R 2 500 000 (2020: R 3 000 000) and the municipality received the full allocation.

Condition was met.

Municipal system improvement grant (MSIG)

Balance unspent at beginning of year	1 024 338	1 024 338
Transferred to income - forfeited	(1 024 338)	-
	-	1 024 338

To promote and support reforms in financial management by building capacities in municipalities to implements the Municipal Finance Management Act (MFMA).

The unspent balance has been carried for many years and in the current financial year transferred to income as National Treasury has not offset or claimed.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No. 1 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Skills Development Grant

Current-year receipts	-	239 971
Conditions met - transferred to revenue	-	(239 971)
	-	-

Discretionary grants are paid out at the discretion of SETA management for skills development projects linked to scarce and critical skills (sector priority). Condition was met.

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31. Fines, Penalties and Forfeits		
Traffic Fines	175 195 250	260 800
Deposits Forfeits	23 651 332	-
Unclaimed Money Forfeits	19 871	-
MSIG grant forfeit	1 024 338	-
	199 890 791	260 800

Council approved that the Unallocated Deposits older than 2 years prior to Notice and that were not claimed within the prescribed period be regarded as other income in accordance with the Prescription Act. The municipality placed an advert in the Local Newspaper, The Post on September 4th, 2020 requesting the Public to claim possible Deposits made, not reflecting on their accounts. Various attempts and methods trying to clear the deposit amounts was unsuccessful.

The municipality embarked on enhanced law enforcement of the traffic by-laws and this resulted in increased volume of traffic fines issued during the financial year. The majority of traffic fines were issued for speeding along the the R101 road and the municipality has employed the services of Traffic Management Technologies(TMT) to manage the issuance and collection of fines.

The MSIG grant has remained with an unspent(unreconciled) balance that has been carried dating back for a few year and the National Treasury has not indicated any intention to withhold or request the municipality to refund any funds. The balance has been transferred and realised to income during the financial year.

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32. Employee related costs		
Basic	130 460 956	132 484 954
Bonus	14 909 539	7 495 499
Medical aid - company contributions	9 122 272	8 268 247
Contributions for UIF, pensions and provident fund	26 580 197	23 593 977
WCA	1 250 910	1 140 250
SDL	1 722 157	1 162 466
Other payroll levies(Bargaining council)	292 530	363 146
Leave pay provision charge	294 113	3 517 474
Group Life Insurance	479 624	-
Allowances:In-kind Benefits	2 376	3 914
Post employment medical contribution plans	2 887 881	3 787 467
Overtime payments	13 668 134	14 225 206
Long-service awards	3 364 219	383 479
Acting allowances	91 677	-
Subsistence, travel and car allowances	10 788 721	8 689 966
Housing benefits and allowances	993 361	742 647
Tools Allowance	62 247	7 337
Standby allowance	5 018 596	4 498 265
Cell phone allowance	889 429	386 132
	222 878 939	210 750 426

Remuneration of Acting Municipal Manager(Accounting Officer)

Acting allowance	94 149	248 249
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Dr. M.S. Mhlanga was appointed as Acting Municipal Manager(Accounting Officer) from 30 May 2019 to 31 August 2019. The Acting allowance is R 7 804.17 (2020: R20 687.44) and was paid R94 149.48 (2020: R248 249.28) for the financial year ended 30 June 2021.

Remuneration of Chief Financial Officer - Dr. M.S. Mhlanga

Annual Remuneration	1 035 694	882 432
Car Allowance	283 366	120 000
Contributions to UIF, Medical and Pension Funds	188 238	195 886
Cellphone allowance	-	7 000
Subsistence	-	41 751
	1 507 298	1 247 069

Dr M.S. Mhlanga is appointed as Chief Financial Officer of the Municipality and was appointed Acting Municipal Manager effective from 30 May 2019 to date.

Remuneration of Acting Chief Financial - Mr. Jones Mokwele

Acting allowance	88 715	172 906
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J. Mokwele is appointed as Divisional Manager Budget and Reporting and was appointed as Acting Chief Financial Officer effective from 1 February 2020. Mr. B Maswanganyi was appointed Acting CFO from 1-31 May 2021 and was paid Acting allowance of R 7 172. J Mokwele was re-instated as Acting CFO effective from 1 June 2021 to the end of the financial year.

Remuneration of Acting Chief Financial Officer - JN Molekoa

Acting allowance	-	152 803
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JN. Molekoa is Divisional Manager Expenditure and Assets and was appointed as Acting Chief Financial Officer up until he resigned effective from 31 January 2020.

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32. Employee related costs (continued)		
Remuneration of Social Services Manager (M. Berrange)		
Annual Remuneration	914 175	68 976
Car Allowance	238 911	7 906
Bonuses	64 802	-
Contributions to UIF, Medical and Pension Funds	166 365	18 956
Cellphone allowance	-	1 750
Subsistence	-	1 704
Leave pay	-	161 236
	1 384 253	260 528
Remuneration of Corporate Services Manager (H.R.A. Lubbe)		
Annual Remuneration	942 043	852 851
Car Allowance	283 366	249 739
Bonuses	-	71 071
Contributions to UIF, Medical and Pension Funds	1 813	10 425
Cellphone allowance	-	7 000
Subsistence	2 112	4 154
	1 229 334	1 195 240
Remuneration of Strategic Planning Manager (D.N. Sinthumule)		
Annual Remuneration	932 712	719 192
Car Allowance	283 366	180 000
Contributions to UIF, Medical and Pension Funds	287 715	47 954
Cellphone	-	7 000
Subsistence	3 079	39 898
	1 506 872	994 044
Remuneration of Technical Services Manager (P.Mogodi)		
Annual Remuneration	-	507 172
Car Allowance	-	172 938
Performance Bonuses	-	42 264
Contributions to UIF, Medical and Pension Funds	-	148 815
Cellphone allowance	-	6 200
Subsistence allowance	-	69 254
Acting allowance	-	91 751
	-	1 038 394
Remuneration of Technical Service Manager - (C Mahlaule)		
Annual Remuneration	316 908	-
Car Allowance	106 482	-
Contributions to UIF, Medical and Pension Funds	98 110	-
	521 500	-
C. Mahlaule was appointed Technical Services Manager effective from 01 February 2021.		
Remuneration of Acting Technical Services Manager - W Magana		
Acting allowance	40 303	-

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32. Employee related costs (continued)

W. Magana was acting Technical Services Manager from the 1st September 2020 until end of January 2021 and was paid acting allowance amounting to R40 303.

Remuneration of Acting Technical Services Manager - P. Mogodi

Annual Remuneration	-	126 793
Car Allowance	-	45 458
Contributions to UIF, Medical and Pension Funds	-	34 412
Other	-	5 058
	-	211 721

33. Remuneration of councillors

Mayor	1 189 057	1 172 999
Chief Whip	1 188 730	792 076
Executive Committee Members	2 926 777	2 280 338
Speaker	1 014 608	449 590
Councillors	8 288 858	7 760 707
Councillors' pension contribution	35 182	500 707
	14 643 212	12 956 417

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33. Remuneration of councillors (continued)

Remuneration of Councillors

The Mayor has use of a Council owned vehicle for official duties and a dedicated driver.

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

2021

	Annual Remuneration	Travel Allowance	Cellphone Allowance	Pension Contribution	Medical Contributions	Total
Executive Mayor	533 139	223 463	-	79 971	57 277	893 850
Chief Whip	437 209	167 597	-	65 581	-	670 387
Speaker	466 355	178 770	-	69 953	-	715 078
	1 436 703	569 830	-	215 505	57 277	2 279 315

Executive Committee

L.W Kola	298 902	93 497	44 400	9 892	44 832	491 523
R.P Mashaba	294 286	93 497	44 400	11 539	-	443 722
N.G Mashitsho	291 269	93 497	44 400	11 124	58 360	498 650
N.E Monepya	130 666	38 957	18 500	11 539	-	199 662
MM Mothabela	99 251	31 166	14 800	-	-	145 217
	1 114 374	350 614	166 500	44 094	103 192	1 778 774

Councillors

	Annual Remuneration	Travel Allowance	Cellphone Allowance	Pension Contribution	Medical Contributions	Total
J.J Abrie	285 662	90 754	44 400	11 201	-	432 017
J. Baloyi	222 592	70 718	44 400	8 728	-	346 438
CMJ Botha	222 592	70 718	44 400	-	-	337 710
S Groenewald	281 202	90 754	44 400	10 588	44 832	471 776
JM Lebesse	222 592	70 718	44 400	-	-	337 710
KN Mabunda	222 592	70 718	44 400	8 728	-	346 438
RJ Mahoro	222 592	70 718	44 400	33 037	-	370 747
B Mocke	283 546	90 754	44 400	10 910	21 184	450 794
DM Monama	214 731	70 718	44 400	7 995	4 233	342 077
LK Moruwe	222 592	70 718	44 400	33 037	-	370 747
MM Mothabela	161 736	47 145	29 600	8 819	1 840	249 140
D Phalane	289 382	84 075	44 400	-	-	417 857
MD Phele	218 237	70 718	44 400	32 439	2 656	368 450
MM Sethlabi	222 592	70 718	44 400	8 728	-	346 438
JP Prinsloo	222 592	70 718	44 400	33 037	-	370 747
KE Lekalakala	175 777	70 718	44 400	7 071	8 341	306 307
SM Seodisa	219 576	70 718	44 400	32 623	58 360	425 677
MJ Kekana	285 662	90 754	44 400	42 398	-	463 214
M Mbedzi	222 592	70 718	44 400	-	-	337 710
DE Ramogale	222 592	70 718	44 400	33 037	-	370 747
LW Monyela	281 674	90 754	-	10 653	83 813	466 894
HE Matlebyane	133 931	35 359	22 200	-	-	191 490
	5 057 036	1 610 401	895 400	333 029	225 259	8 121 125

2020

	Annual Remuneration	Travel Allowance	Cellphone Allowance	Pension Contribution	Medical Contribution	Total
Mayor - M. Van Staden	750 228	222 823	61 961	84 079	53 908	1 172 999
Chief Whip - HP Loow	448 419	181 051	61 961	101 409	-	792 840
Speaker - DS. Motshwene	227 645	159 984	61 961	-	-	449 590
	1 426 292	563 858	185 883	185 488	53 908	2 415 429

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33. Remuneration of councillors (continued)

Executive Committee

L.W Kola	269 703	89 901	61 961	37 084	17 839	476 488
R.P Mashaba	269 703	89 901	61 961	37 084	-	458 649
N.G Mashitsho	235 143	89 901	61 961	32 332	20 529	439 866
N.E Monepya	234 524	89 901	61 961	32 247	-	418 633
	1 009 073	359 604	247 844	138 747	38 368	1 793 636

Councillors

	Annual Remuneration	Travel Allowance	Cellphone Allowance	Pension Contribution	Medical Contribution	Total
J.J Abrie	227 645	87 264	61 961	34 147	-	411 017
J. Baloyi	177 385	67 998	61 961	26 608	-	333 952
CMJ Botha	203 993	67 998	61 961	-	-	333 952
S Groenewald	227 645	87 264	61 961	34 147	26 759	437 776
JM Lebesse	203 993	67 998	61 961	-	-	333 952
KN Mabunda	177 385	67 998	61 961	26 608	-	333 952
RJ Mahoro	203 993	67 998	61 961	30 599	-	364 551
B Mocke	227 645	87 264	61 961	34 147	12 697	423 714
DM Monama	177 385	67 998	61 961	26 608	53 908	387 860
LK Moruwe	203 993	67 998	61 961	30 599	-	364 551
MM Mothabela	177 385	67 998	61 961	26 608	34 657	368 609
D Phalane	261 791	87 264	61 961	-	-	411 016
MD Phele	203 993	67 998	61 961	30 599	46 558	411 109
MM Sethlabi	177 385	67 998	61 961	26 608	-	333 952
JP Prinsloo	177 385	67 998	61 961	26 608	-	333 952
KE Lekalakala	162 359	67 998	61 961	24 354	49 122	365 794
SM Seodisa	161 548	67 998	61 961	24 232	37 233	352 972
MJ Kekana	227 645	87 264	61 961	34 147	-	411 017
M Mbedzi	203 993	67 998	61 961	-	-	333 952
DE Ramogale	162 603	62 331	37 400	24 390	-	286 724
LW Monyela	227 645	87 264	61 961	34 147	45 702	456 719
Other re-imbursements	-	-	-	-	-	-
	4 174 794	1 537 887	1 276 620	495 156	306 636	7 791 093

34. Depreciation and amortisation

Property, plant and equipment	43 972 623	65 577 805
Investment property	49 533	32 400
Intangible assets	1 018 765	1 074 840
	45 040 921	66 685 045

35. Impairment of assets

Impairments

Property, plant and equipment	381 203	471 314
Management performed condition assessment of assets at year-end and identified assets whose condition has deteriorated and require impairment loss to be provided. The recoverable amount or recoverable service amount(s) of the assets was based on their value in use.		
Intangible assets	-	76 522
Management performed condition assessment of assets at year-end and identified assets whose condition has deteriorated and require impairment loss to be provided. The recoverable amount or recoverable service amount(s) of the assets was based on their value in use.		
	381 203	547 836

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36. Finance costs		
Trade and other payables	25 677 647	52 680 190
Capitalised - Provisions	5 438 475	4 239 123
Post retirement benefits and long service awards	5 983 000	5 884 381
	37 099 122	62 803 694
37. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	23 177 155	19 266 766
Plant and equipment		
Contractual amounts	2 503 722	-
	25 680 877	19 266 766
38. Debt impairment		
Bad debts written-off	203 669 090	16 667 371
39. Bulk purchases		
Electricity - Eskom	183 111 095	171 604 719
Water	19 475 001	15 396 560
	202 586 096	187 001 279
40. Contracted services		
Outsourced Services		
Administrative and Support Staff	133 161	204 004
Burial Services	53 500	45 000
Security Services	13 901 303	13 744 868
Water Takers	1 084 988	5 766 302
Consultants and Professional Services		
Business and Advisory	14 857 589	19 001 668
Laboratory Services	934 500	-
Legal Cost	12 007 608	18 456 675
Contractors		
Maintenance of Buildings and Facilities	170 835	487 412
Maintenance of Equipment	673 121	4 559 660
Maintenance of Unspecified Assets	8 323 874	2 457 791
Transportation	-	85 223
Sewerage Services	696 458	1 492 097
	52 836 937	66 300 700

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41. General expenses		
Advertising	365 613	443 066
Auditors remuneration	5 320 242	4 956 796
Bank charges	1 066 136	880 889
Commission paid	23 191 104	16 478 960
Consumables	3 906 278	5 314 725
Fines and penalties	4 617 742	3 345 612
Insurance	2 669 002	5 064 230
Conferences and seminars	2 946	45 142
Postage and courier	-	365
Printing and stationery	74 213	202 654
Protective clothing	470 292	1 541 416
Software expenses	2 520 920	2 356 706
Membership and Subscription	2 645 570	2 319 923
Telephone and fax	2 199 784	2 106 942
Training	-	104 711
Travel - local	787 590	1 898 509
Indigent relief	1 084 960	298 000
Bargaining Council	11 758	-
Municipal services	5 790 378	-
Ward committees	1 637 000	1 648 000
	58 361 528	49 006 646
42. Auditors' remuneration		
Fees	5 320 242	4 956 796
43. Cash generated from operations		
Surplus (deficit)	51 932 556	(67 778 263)
Adjustments for:		
Depreciation and amortisation	45 040 921	66 685 045
Gain on sale of assets and liabilities	282 243	1 324 312
Gain on foreign exchange	(59 096)	-
Impairment deficit	381 203	547 836
Debt impairment	203 669 090	16 667 371
Movements in retirement benefit assets and liabilities	750 566	(3 154 443)
Movements in provisions	(2 898 012)	(29 695 827)
Fair value adjustments	-	180 291
Actuarial loss/gain	3 572 834	(6 917 840)
Other non-cash items	159 882	551 734
Changes in working capital:		
Inventories	687 373	2 983 304
Other Receivables	(6 077 868)	(5 741 077)
Consumer debtors	(75 045 724)	(50 468 354)
Other receivables from non-exchange transactions	(235 919 211)	(127 277 350)
Payables from exchange transactions	130 527 021	206 061 722
VAT	(18 245 268)	91 465 036
Unspent conditional grants and receipts	(20 044 332)	(51 324 632)
Consumer deposits	981 460	3 328 333
	79 695 638	47 437 198

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44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	34 286 704	67 263 569
Total capital commitments		
Already contracted for but not provided for	34 286 704	67 263 569
Total commitments		
Total commitments		
Authorised capital expenditure	34 286 704	67 263 569

This committed expenditure relates to property, plant and equipment and will be financed by funding from government grants.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its fleet assets and printers. Leases are negotiated for an average term and rentals are fixed and payable on month to month term. No contingent rent is payable.

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45. Contingencies	2021	2020
Mellampus	4 000 000	4 000 000
Case No. 84588/2014 - Municipality must apply for eviction of illegal occupiers at Vaalwater privately owned farm.		
Arabest 121 CC	35 849 535	35 849 535
Alleged termination of contract without following the proper procedure and or provision of the contract regarding termination.		
RR David Nawa	350 000	350 000
The matter relates to a review application at the Labour Court brought by Mr Nawa.		
Phaswane, Johnson and Maluleke	702 000	517 420
This is a review application brought by Mr Phaswane and others against the Municipality at the Labour Court.		
D3 Construction CC	14 221 842	14 221 842
Case No. 5637/2019 - Claim for unjustified enrichment against the municipality.		
Lesperance Sebenzani Joint Venture	4 654 002	4 654 002
Case 1272/2014 - Claim for loss of profit due to cancelation of contract.		
M M Matjiu	5 000 000	5 000 000
Claim for damage and suffering caused by sewerage spillage and loss of income at Erf 1077 Ext 1, Mookgophong.		
N J Moagi	3 000 000	3 000 000
Claim for defamation of character against the previous Municipal Manager brought by Mr N J Moagi.		
Akhile Management and Consulting (Pty) Ltd	1 267 913	1 267 913
Case No. 7654/2017-Services were rendered and invoices unpaid. The matter is defended due to unlawful extension of Service Level Agreement (SLA)		
Maria Sprout	235 000	235 000
Case No. LP/MDM/RC 27/2019 - This is a damages claim against the municipality for the alleged injuries sustained as a result of an uncovered manhole.		
Kekamo Projects (Pty) Ltd	5 259 800	5 259 800
Case No. 6706/2018 - Proceedings brought by Kekamo for alleged monies owed by the municipality.		
Genesis Land Development	1 784 928	1 784 928
Claim for payment of services rendered		
MKE Makgato N O & TS Makgato NO obo Kgolo Business Trust	1 267 912	1 267 912
Case No. 2287/2018 - Amount claimed in terms of acknowledgement of debt.		
Balimi Barui Trading (Pty) Ltd	44 024 033	44 024 033
Case No. 4315/2017-Amount claimed for damages,default judgement granted,rescission application opposed by BBT		
Tlou E Kgolo Construction	78 890	78 890
Non-payment of outstanding invoices for services rendered-building and/or renovation of Donkerpoort Dam		
CXMI(Pty) Ltd & Adv G Malindi NO	13 595 750	13 595 750
Case No. 70315/2018 - Arbitration award was made an order of Court. A rescission application was issued to set the Court Order aside.		
Molebogeng Eva & MS Seloana	128 748	
Claim for damages suffered as a result of unlawful and illegal and/or disconnection of electricity supply		
	135 420 353	135 107 025

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46. Related parties

Relationships

Accounting Officer

Councillors

Dr S.M. Mhlanga
 Clr Klaas Nono Mabunda
 Clr Kgaretja Elizabeth Lekalakala
 Clr Ntlogeleng Grace Mashitsho
 Clr Lucy Kgadi Moruwe
 Clr Matsobane Daniel Phele
 Clr Rewahla Patrick Mashaba
 Clr Rufus Jan Mahoro
 Clr Lesiba William Kola
 Clr Mmakoma Maria Sethlabi
 Clr Johannah Mmanoko Lebese
 Clr Dingaan Solly Motshwene
 Clr Marlene Van Staden
 Clr Micheal Mbezi
 Clr Bianca Mocke
 Clr Hercules Petrus Louw
 Clr Johannes Jacobus Abrie
 Clr Sarna Groenewald
 Clr Johan Prinsloo
 Clr Stossel Seodisa
 Clr Jan Baloyi
 Clr Lesetja William Monyela
 Clr Maphuti Margaret Mothabela
 Clr Dinah Mahlatse Monama
 Clr Nonini Esther Monepya
 Clr Mj Kekana
 Clr Cornelius Marthinus Johannes Botha
 Clr D Phalane
 Clr DE Ramogale
 Clr HE Matlebyane

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

Arrear accounts for municipal services	288 010	292 862
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Detailed balances of councillors' arrear accounts are disclosed in note 52. There were no guarantees given or received

Related party transactions

Compensation to accounting officer and other key management

Short-term employee benefits - Accounting Officer	1 507 297	1 247 069
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Compensation to Councillors

Short-term employee benefits - councillors	11 953 953	12 956 417
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Key management information

Remuneration of management

Management class: Councillors

2021

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46. Related parties (continued)

	Basic salary	Travel allowances	Cellphone allowances	Post-employment benefits - Pension	Medical Contributions	Total
Name						
Executive committee members	1 114 375	350 614	166 500	44 093	103 191	1 778 773
Councillors	5 057 038	1 610 395	895 400	333 031	225 257	8 121 121
Mayor	533 139	223 463	-	79 971	57 277	893 850
Chief Whip	437 209	167 597	-	65 581	-	670 387
Speaker	466 355	178 770	-	69 953	-	715 078
	7 608 116	2 530 839	1 061 900	592 629	385 725	12 179 209

2020

	Basic salary	Travel allowances	Cellphone allowances	Post-employment benefits- Pension	Other benefits	Medical Contributions	Total
Name							
Executive committee members	1 000 073	359 604	247 844	138 748	495 700	38 369	2 280 338
Councillors	41 740 788	-	2 814 499	495 153	469 575	306 636	8 260 651
Mayor	750 228	222 823	61 961	84 079	-	30 908	1 172 999
Chief Whip	448 419	181 051	61 961	101 409	-	-	792 840
Speaker	227 645	159 984	61 961	-	-	-	449 589
	44 167 153	923 462	3 248 226	819 389	965 275	375 913	12 956 417

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46. Related parties (continued)

Management class: Executive management

2021

	Basic salary	Travel allowances	Post-employment benefits	Total
Name				
Dr. M.S. Mhlanga- Accounting Officer(Acting)	1 035 694	283 366	188 238	1 507 298

2020

	Basic salary	Travel allowances	Cellphone allowances	Post-employment benefits	Other benefits received	Total
Name						
Dr. M.S. Mhlanga- Accounting Officer(Acting)	882 432	120 000	7 000	195 886	41 751	1 247 069

47. Prior-year adjustments

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

Statement of financial position

2020

	As previously reported	Correction of error	Re-classification	Restated
Other Receivables	5 761 300	-	20 387	5 781 687
VAT Receivable	103 931 277	(57 215 845)	-	46 715 432
Cash and cash equivalents	8 500 941	28 836 247	(20 387)	37 316 801
Investment property	27 117 120	(966 067)	-	26 151 053
Property, plant and equipment	1 315 463 890	(2 243 391)	-	1 313 220 499
Heritage assets	222 134	(60 821)	-	161 313
Payables from exchange transactions	(878 493 199)	16 963 290	-	(861 529 909)
Provisions-Non Current Liabilities	(96 977 517)	48 764 085	5 438 475	(42 774 957)
Provisions-Current Liabilities	-	-	(5 438 475)	(5 438 475)
	485 525 946	34 077 498	-	525 027 092

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47. Prior-year adjustments (continued)				
Statement of financial performance				
2020				
	As previously reported	Correction of error	Re-classification	Restated
Interest- Trading	(38 650 890)	-	11 504 830	(27 146 060)
Interest- Taxes	-	-	(11 504 830)	(11 504 830)
Finance costs	60 180 643	2 623 051	-	62 803 694
Employee related costs	215 847 322	(5 096 896)	-	210 750 426
Depreciation and amortisation	78 204 565	(11 519 520)	-	66 685 045
Contracted services	53 230 015	13 070 686	-	66 300 701
General expenditure	46 649 940	2 356 706	-	49 006 646
Impairment	487 015	60 821	-	547 836
Lease rentals on operating lease	17 458 761	1 808 005	-	19 266 766
Surplus for the year	433 407 371	3 302 853	-	436 710 224
Cash flow statement				
2020				
Cash flow from operating activities				
Sale of goods and services	287 926 824	(32 333 318)	-	255 593 506
Grants	103 980 477	-	-	103 980 477
Interest income	1 141 167	-	-	1 141 167
Other receipts	5 577 591	123 129	-	5 700 720
Employee costs	(176 045 162)	(32 263 875)	-	(208 309 037)
Finance costs	(52 751 281)	52 751 281	-	-
Payments to suppliers	(74 322 553)	(36 347 082)	-	(110 669 635)
	95 507 063	(48 069 865)	-	47 437 198
Cash flow from investing activities				
Purchase of property, plant and equipment		(56 813 736)	19 074 556	(37 739 180)
Cash flow from financing activities				
Employee benefit obligation payments		(2 796 574)	-	(2 796 574)
Statement of Changes in Net Assets				
Accumulated surplus	1 020 218 841	37 380 351	1 057 599 192	

While preparing the annual financial statements for the year ended 30 June 2021, corrections were made to prior's VAT receivable balance to correct prior period misstatements and agree the VAT on accruals to the underlying trade and other receivables and trade and other payables. These corrections were treated as prior period errors and the net effect was as follows:- Decrease/Credit VAT Receivable R 58 203 836.

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47. Prior-year adjustments (continued)

Investment property

While preparing the annual financial statements for the year ended 30 June 2021, corrections were made to prior year's Investment property to correct depreciation that was not accounted for in terms of the accounting policy on Investment property. These corrections were treated as prior period errors and resulted in restatement of the cost and accumulated depreciation with the net effect as follows:-

Decrease - Investment property R 966 067.

Property, plant and equipment

While preparing the annual financial statements for the year ended 30 June 2021, corrections were made to prior year's Property, plant and equipment to rectify misallocations that resulted in the general ledger not agreeing to the fixed asset register. Corrections were also made to prior year's Property plant and equipment to correctly account for the rehabilitation provision of the landfill sites. The provision was restated to correct the discounting of the estimated future costs as required in terms of GRAP and the resulting effect on the solid waste infrastructure was restated accordingly. These corrections were treated as prior period errors and the net effect was as follows:-

Decrease/Credit Property, plant and equipment R 2 243 391

Provisions

The provision for the rehabilitation of the landfill sites was restated following revision of estimates and determination of the discounted future costs of rehabilitation which was not done in prior years. These corrections were treated as prior period errors and the net effect was as follows:-

Effective decrease in the Provision by R 48 764 085.

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47. Prior-year adjustments (continued)

Payables from Exchange transactions

While preparing the annual financial statements for the year ended 30 June 2021, corrections were made to prior year's payables from exchange transactions to agree the Control Account and Ageing Analysis and to account for unrecorded liabilities.

Corrections were also made to reverse duplicate journal processed to unallocated deposits account and these corrections resulted in changes to the figures previously reported.

Corrections were also made to upon reconciliation and clearing of the salary control and third party balances resulting in restatement of the third party balances owing.

These corrections were treated as prior period errors and the net effect was as follows:-

Effective decrease in Trade payables from exchange transactions R 16 963 290

-

Interest- Trading – This reclassification was meant to split between interest from non-exchange transaction and interest from exchange transactions. The reclassification does not affect the global interest amount.

Interest- Taxes - This reclassification was meant to split between interest from non-exchange transaction and interest from exchange transactions. The reclassification does not affect the global interest amount.

Employee related costs – Included in the employee cost is a bonus amount which had to be restated and relates to the movement in bonus paid and the provision (- 5 096 896).

Finance costs – The restatement is as a result of the re-evaluation of the landfill site provision, with a net movement value of R 2 623 051.

Employee related costs – Included in the employee cost is a bonus amount which had to be restated and relates to the movement in bonus paid and the provision (R5 096 896).

Depreciation and amortisation – Some assets had reached their remaining useful life and there was a change in accounting estimates after an impairment assessment.

Contracted services – The restatement is due to cut-off matter identified in the GL and the correction thereof thereof to record unrecorded liabilities.

General expenditure - The restatement is due to cut-off matter identified in the GL and the correction thereof.

Impairment - Management performed condition assessment of assets at year-end and identified assets whose condition has deteriorated and require impairment loss to be provided. The recoverable amount or recoverable service amount(s) of the assets was based on their value in use.

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47. Prior-year adjustments (continued)

Contingent liabilities

While preparing the annual financial statements for the year ended 30 June 2021, corrections were made to prior year's contingent liabilities to address the misapplication of standard of GRAP on certain cases that did not qualify as contingent liabilities and as detailed below. These corrections were treated as prior period errors and the net effect was as follows:-

Decrease in contingent liabilities by R130 819 225

Cash and cash equivalents

While preparing the annual financial statements for the year ended 30 June 2021, corrections were made to prior's cash and cash equivalents to reconcile cash book to the bank balances on the main and investment accounts and other misstatements identified affecting the general ledger. These corrections were treated as prior period errors and the net effect was as follows:-

Increase/Debit Cash and cash equivalents R 28 864 18

Matter	Adjusted Comparative	Prior year reported	Reason for adjustment
N J Moagi			
Claim for defamation of character against the previous Municipal Manager brought by Mr N J Moagi.	3 000 000	300 000	This transaction was reported with an incorrect amount of R300 000 in the 2019/2020 Contingent Liabilities Register and Annual Financial Statements. The amount was corrected in the 2020/2021 Annual Financial Statements and comparative restated to R3 000 000.
Solidarity obo T Webster			
Payment of Pension Contributions	-	154 287	This transaction was erroneously reported in the 2019/2020 Financial year Contingent Liabilities Register and Annual Financial Statements.
GTL Wholesalers (Pty) Ltd			
Case No. 514/2017 - This is a damages claim against the municipality for the alleged removal of advertising board/signs.	-	13 100	This transaction was erroneously reported in the 2019/2020 Financial year Contingent Liabilities Register and Annual Financial Statements.
Telkom SA			
Claim for damages caused by on the plaintiff's property.	-	74 430	This transaction was erroneously reported in the 2019/2020 Financial year Contingent Liabilities Register and Annual Financial Statements.
Phokoane Phasha Attorneys			
Notice in terms of s3(2) of the institution of the legal proceedings against organs of the state Act No. 40 of 2002.	-	2 845 860	This transaction was erroneously reported in the 2019/2020 Financial year Contingent Liabilities Register and Annual Financial Statements.
Balimi Barui Trading (Pty) Ltd			
Case No. 1230/2017 - Amount claimed in respect of unpaid invoices.	-	10 960 675	This transaction was erroneously reported in the 2019/2020 Financial Year Contingent Liabilities Register and Annual Financial Statements.
Telesure Group Services obo Budget Insurance (Mr TP Shandukani)			
Amount claimed due to damages caused by a motor vehicle collision.	-	17 097	This transaction was erroneously reported in the 2019/2020 Financial year Contingent Liabilities Register and Annual Financial Statements.
Leagae Construction CC			
Claim for payment of outstanding retention money.	-	1 195 436	This transaction was erroneously reported in the 2019/2020 Financial year Contingent Liabilities Register and Annual Financial Statements.
	3 000 000	15 560 885	

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47. Prior-year adjustments (continued)

Irregular expenditure

Prior year reported	-	76 082 384
Adjustments made	-	654 549
Restated opening balance	-	76 736 933

Adjustment made to opening balance of irregular expenditure is due to removal of VAT that was included on irregular expenditure amounting to R 654 549. The adjustment resulted in net decrease in irregular expenditure balance reported in prior year and approved for write-off.

Unauthorised expenditure

Prior year reported	-	392 711 990
Adjustments made	-	3 327 318
Restated opening balance	-	396 039 308

Adjustment made to opening balance of unauthorised to account for prior period adjustments made to actual and accrued expenditure.

Change in accounting policy

The following change in accounting policies occurred:

Heritage assets

GRAP 103 - Heritage assets

In accordance with GRAP 103, An entity shall choose as its accounting policy either the cost model in paragraph .36, or the revaluation model in paragraph .37, and shall apply that policy to an entire class of heritage assets. The municipality applied the cost measurement basis on heritage assets and the assets were stated at cost in the prior financial years.

The municipality changed the measurement basis from cost to fair value and this change is effective from the current financial year.[]

The municipality discovered that the cost of repairing heritage assets could be higher than the stated book value and thus the decision that a fair valuation provides reliable and more relevant information book values.

The mayoral chains were revalued by an independent professional valuer and this resulted in increase in value of Heritage assets by R 1 125 474.

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47. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Cash and cash equivalents

Reclassifications were made between bank and cash balances and short term deposit accounts to correct misclassifications made when recording transactions. There is no effect of increase/decrease in cash and cash equivalents.

Property, plant and equipment

Reclassifications were made on the prior year financial statements to correct missallocations of property, plant and equipment.

Provisions

Reclassifications were made on the financial statements to correct the allocation of current and non-current portion of the provision for the rehabilitation of landfill sites. The current portion of the provision amounting to R5 438 475 is reclassified and presented as current liabilities.

48. Change in estimate

Property, plant and equipment

The useful life of certain property, plant and equipment was assessed during year-end and in the current period management have revised their estimate accordingly based on the condition assessments and the expected pattern of provision of economic benefits to the municipality years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 13 978 826.

There is no impact on the cash flow statement.

Trade and other receivables from exchange transactions and non-exchange transactions

The policy for impairment of trade receivables from exchange transactions and non-exchange was revised in the current financial period to align it with the requirements of GRAP 104. Management have revised their estimate of cash flows and assumptions to determine the impairment as required by the standard of GRAP. The effect of this revision has resulted in increased impairment for the current and future periods by R 163 466 140

There is no impact on the cash flow statement.

49. Going concern

In terms of the accounting standard GRAP 1 paragraphs 27 to 30, the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 1 041 753 492 and that the municipality's total liabilities exceed its assets by R 1 041 753 492.

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

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49. Going concern (continued)

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 and that the municipality has negotiated payment terms with significant suppliers, furthermore budgetary support has been received from Provincial Treasury to meet the municipality's ability to continue as a going concern.

The municipality is facing financial constraints and service delivery difficulties with the result that there is an urgent need to develop and implement a Financial Recovery Plan (FRP).

The financial recovery plan is prepared as a result of improving the financial viability and placing the municipality in a sustainable financial position of the municipality. This will enable the institution to regain its financial stability and institutional functionality.

50. Events after the reporting date

There were no major adjusting events after the reporting date.

51. Unauthorised expenditure

Opening balance as previously reported	396 039 308	298 553 164
Correction of prior period error	-	3 327 318
Opening balance as restated	396 039 308	301 880 482
Add: Expenditure identified - current	131 631 710	94 158 826
Less: Approved for write-off by council	(153 091 698)	-
Closing balance	374 579 320	396 039 308

Disciplinary steps taken/criminal proceedings

No disciplinary steps or criminal proceedings were taken during the financial year.

52. Fruitless and wasteful expenditure

Opening balance as previously reported	55 970 956	115 652 962
Opening balance as restated	55 970 956	115 652 962
Add: Expenditure identified - current	30 720 491	55 583 956
Less: Amount written off - current	(28 309 848)	-
Less: Amount written off - prior period	(55 583 956)	(115 265 962)
Closing balance	2 797 643	55 970 956

Despite the MFMA Exemption Notice of 30 March 2020 the municipality views that it is prudent to disclose interest raised for payments made after 30 days as fruitless and wasteful expenditure and all interest incurred during this period is disclosed in this note.

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on Eskom debt	None	22 586 519	50 201 226
Interest on other overdue accounts	None	2 410 642	980 236
Interest and Penalties on SARs VAT and PAYE accounts	None	5 723 329	4 402 494
		30 720 490	55 583 956

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52. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the MPAC investigations which commenced during the year and were completed subsequent to year-end, council adopted the recommendation to write-off an amount of R84 280 804 (2020: R 115 265 962) from the total fruitless and wasteful expenditure balance as it was proven without reasonable doubt that the expenditure amount was not recoverable.

	Investigated and written-off		
Interest on Eskom debt	Written-off	50 201 226	-
Interest on other overdue accounts	Written-off	1 367 236	-
Interest and Penalties on overdue SARs VAT and PAYE accounts	Written-off	4 402 494	-
Interest on Eskom debt	Current year-Written-off	22 586 519	-
Interest and Penalties on overdue SARs VAT and PAYE accounts	Current year-Written-off	5 723 329	-
		84 280 804	-

53. Irregular expenditure

Opening balance as previously reported	76 736 933	224 631 292
Opening balance as restated	76 736 933	224 631 292
Add: Irregular Expenditure - current	32 387 893	36 164 364
Add: Irregular Expenditure - prior period	-	654 549
Less: Amount written off - current	(76 736 933)	(184 713 272)
Closing balance	32 387 893	76 736 933

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited		-	-
Non-compliance with SCM regulations and policy on evaluation of bids	None	6 922 674	15 991 032
Extension of contract over beyond the recommended period.	None	16 057 449	17 363 078
Bid specification did not specify the minimum threshold for local production and content	None	427 714	1 826 042
Possible deliberate split into parts or items of lesser value merely to avoid complying with requirements of the SCM regulations	None	-	49 057
Non-compliant tax status of the appointed service provider	None	586 370	-
The municipality did no conduct an analysis to determine whether there are demonstrable discounts or benefits on s32 appointments	None	2 301 672	1 171 133
The variation order exceed the 20% maximum treshold for variation or expantion on construction related goods.	None	5 405 293	418 570
Bidding prices used different pricing methods and with no basis of comparison, methods used by the bidders	None	686 721	-
		32 387 893	36 818 912

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53. Irregular expenditure (continued)

Amounts written-off

The opening balance of Irregular expenditure was submitted to council and council referred the transactions and balances to MPAC for investigation in terms of s32 of MFMA. Council adopted the recommendation of MPAC to write-off an amount of (76 736 934) (2020: R 184 713 272) exclusive of VAT from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was/will not be recoverable.

54. Deviation from supply chain management regulations

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

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

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

Reasons for deviations

Deviations as a result of emergency procurement, sec 36(1)(b)	3 200 657	2 692 855
Deviations in minor breaches of procurement, sec 36(1)(b)	-	-
	-	-
Total	3 200 657	2 692 855

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government association(SALGA)

Opening balance	11 587 419	9 288 346
Current year subscription / fee	2 624 870	2 299 073
	14 212 289	11 587 419

Audit fees

Opening balance	11 710 410	5 586 503
Current year subscription / fee	6 815 491	5 700 316
Amount paid - current year	-	823 591
Amount paid - previous years	(5 500 000)	(400 000)
	13 025 901	11 710 410

PAYE and UIF

Opening balance	4 313 307	-
Current year subscription / fee	33 994 656	29 335 819
Amount paid - current year	(5 139 448)	(25 022 512)
	33 168 515	4 313 307

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Opening balance	12 663 922	14 314 035
Current year subscription / fee	52 564 498	33 639 490
Amount paid - current year	(44 482 143)	(20 975 568)
Amount paid - previous years	(12 633 929)	(14 314 035)
	8 112 348	12 663 922

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Clr Klaas Nono Mabunda	1 528	6 217	7 745
Clr Kgaretja Elizabeth Lekalakala	1 891	1 245	3 136
Clr Ntlogeleng Grace Mashitsho	949	16 135	17 084
Clr Lucy Kgadi Moruwe	115	-	115
Clr Rewahla Patrick Mashaba	223	-	223
Clr Rufus Jan Mahoro	1 674	19 460	21 134
Clr Mmakoma Maria Sethlabi	579	24 693	25 272
Clr Dingaane Solly Motshwene	432	2 094	2 526
Clr Micheal Mbezi	3 586	154 648	158 234
Clr Hercules Petrus Louw	763	249	1 012
Clr Johannes Jacobus Abrie	328	-	328
Clr Sarna Groenewald	-	(145)	(145)
Clr Johan Prinsloo	941	-	941
Clr Stossel Seodisa	1 425	18 547	19 972
Clr Jan Baloyi	1 313	29 283	30 596
Clr Lesetja William Monyela	237	-	237
Clr Maphuti Margaret Mothabela	450	1 825	2 275
Clr Dinah Mahlatse Monama	1 294	8 162	9 456
Clr Nonini Esther Monepya	(12 002)	-	(12 002)
Clr Cornelius Marthinus Johannes Botha	-	(129)	(129)
	5 726	282 284	288 010

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Clr Klaas Nono Mabunda	870	1 016	1 886
Clr Kgaretja Elizabeth Lekalakala	1 205	-	1 205
Clr Ntlogeleng Grace Mashitsho	564	12 836	13 400
Clr Lucy Kgadi Moruwe	950	-	950
Clr Matsobane Daniel Phele	1 021	10 756	11 777
Clr Rewahla Patrick Mashaba	1 614	472	2 086
Clr Rufus Jan Mahoro	563	11 943	12 506
Clr Mmakoma Maria Sethlabi	1 471	29 088	30 559
Clr Dingaane Solly Motshwene	292	2 861	3 153
Clr Micheal Mbezi	3 776	147 771	151 547
Clr Johannes Jacobus Abrie	172	-	172
Clr Johan Prinsloo	508	-	508
Clr Stossel Seodisa	933	12 741	13 674
Clr Jan Baloyi	1 033	30 560	31 593
Clr Nonini Esther Monepya	456	-	456
	15 428	260 044	275 472

30 June 2021	Highest outstanding amount	Aging (in days)
Clr Micheal Mbezi	158 234	-
Clr Jan Baloyi	30 595	-

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Clr Mmakoma Maria Sethlabi	25 272	-
Clr Rufus Jan Mahoro	21 134	-
Clr Stossel Seodisa	19 971	-
Clr Ntlogeleng Grace Mashitsho	17 084	-
Clr Dinah Mahlatse Monama	9 455	-
Clr Klaas Nono Mabunda	7 744	-
Clr Kgaretja Elizabeth Lekalakala	3 137	-
Clr Dingaan Solly Motshwene	2 526	-
Clr Maphuti Margaret Mothabela	2 276	-
Clr Hercules Petrus Louw	1 012	-
Clr Johan Prinsloo	941	-
Clr Johannes Jacobus Abrie	328	-
Clr Lesetja William Monyela	237	-
Clr Rewahla Patrick Mashaba	223	-
Clr Lucy Kgadi Moruwe	115	-
Clr Cornelius Marthinus Johannes Botha	(129)	-
Clr Sarna Groenewald	(145)	-
Clr Nonini Esther Monepya	(12 000)	-
	288 010	-

56. Electricity and water Distribution losses

Electricity losses

Units purchased kWh	145 990 762	127 703 208
Units sold kWh	120 018 265	117 018 019
Distribution loss	25 972 497	10 685 190
Percentage loss	18	8
Average purchase price(cents/kWh)	171	130
Electricity loss in rand value	44 333 754	13 851 513

The electricity loss is due to theft, distribution losses and illegal tampering of electricity meters and Technical Losses due to insufficient maintenance.

Water losses

Units purchased KL	3 932 830	3 601 195
Units sold KL	3 452 570	2 572 956
Distribution loss KL	480 260	1 028 239
Percentage loss/(gain)	11	28
Average tariff(R)	21,70	20,47
Water loss in rand value	10 421 632	21 048 052

The water distribution loss is due to theft, lack of maintenance and illegal tampering of water meters. Adjustments were made on the prior year reported balances to correct omission and ensure that the corresponding balances are not misstated.

57. Financial instruments disclosure

Categories of financial instruments

Statement of Changes in Net Assets

Financial assets

	At amortised cost	At cost	Total
Other financial assets	135 531	-	135 531
Trade and other receivables from exchange transactions	366 797 169	-	366 797 169
Trade and other receivables from non-exchange transactions	166 846 229	175 355 810	342 202 039

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57. Financial instruments disclosure (continued)

Cash and cash equivalents	12 410 977	-	12 410 977
Deposits	808 652	-	808 652
	546 998 558	175 355 810	722 354 368

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	821 129 393	192 338 953	1 013 468 346
Consumer deposits	-	13 224 290	13 224 290
	821 129 393	205 563 243	1 026 692 636

2020

Financial assets

	At amortised cost	Total
Other financial assets	134 854	134 854
Trade and other receivables from exchange transactions	397 416 448	397 416 448
Trade and other receivables from non-exchange transactions	166 544 774	166 544 774
Deposit	588 082	588 082
	564 684 158	564 684 158

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	692 117 891	169 412 018	861 529 909
Consumer deposits	-	12 242 830	12 242 830
	692 117 891	181 654 848	873 772 739

58. Risk management

Financial risk management

Liquidity risk

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

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58. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2021	2020
Receivables from non-exchange transactions	342 202 039	166 544 774
Receivables from exchange transactions	366 797 169	397 416 448
Other financial assets	135 531	134 854
Deposits	808 652	588 082
Other receivables	11 859 555	5 781 687

Market risk

Interest rate risk

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