



**Msukaligwa Local Municipality
Annual Financial Statements
for the year ended 30 June 2021**



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

Local Municipality

Mayoral committee

Executive Mayor

Speaker

Chief Whip

MMC - Corporate Services

MMC - Technical Services

MMC - Community and Social Services

MMC - Finance

MMC - Planning Economic Development

Councillors

Cllr. B.J. MkhaliPhi

Cllr. M.P. Nkosi

Cllr. P.E. Mashiane

Cllr. J.A. Bal

Cllr. E.C. Msezane

Cllr. T.A. Mnisi

Cllr. B.J. MkhaliPhi

Cllr. J.S. Bongwe

Cllr. T.C. Motha

Cllr. Z. Breydenbach

Cllr. G.S. Greyling

Cllr. B.I. Jiyane

Cllr. F.J. Mabasa

Cllr. B.I. Mabuza

Cllr. M.E. Madonsela

Cllr. L.S. Mahlangu

Cllr. L.A. Maseko

Cllr. M.Z.M. Mashiane

Cllr. P.E. Mashiane

Cllr. V.V. Mazibuko

Cllr. L.D. Mdebele

Cllr. T.J. Madlala

Cllr. P.F. Moloyi

Cllr. B.N.N. Ndlovu

Cllr. D.M. Nkambule

Cllr. T. Nkosi

Cllr. Z.J. Nkosi

Cllr. J.J. Nzimande

Cllr. P.T. Sibeko

Cllr. B.J.M. Sithole

Cllr. H.F. Swart

Cllr. D.J. Litau

Cllr. M.R. Yende

Cllr. Z.K. Dhludhlu

Cllr. J.D.A. Blignaut

Cllr. M.J. Blose

Cllr. L.N.V. Kubheka

Cllr. D. Mabunda

Cllr. N.H. Magagula

Cllr. M. Sibeko



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General Information

Grading of local authority	4
Accounting Officer	Ms. G.J. Majola - Deceased 06 February 2021
Acting Accounting Officer	Mr. S.I. Malaza - Appointed 26 February 2021
Chief Finance Officer (CFO)	Ms. M.M.P. Matsheka - Resigned 31 March 2021
Acting Chief Finance Officer (ACFO)	Mr. S.M. Phiri

Registered office

Civic Centre
C/o Kerk and Taute Street
Ermelo
2350

Business address

Civic Centre
C/o Kerk and Taute Street
Ermelo
2350

Postal address

PO Box 48
Ermelo
2350

Bankers

First National Bank Limited
Standard Bank Limited

Auditors

Auditor-General of South Africa
Registered Auditors

Attorneys

TMN Kgomo & Associates
Mhlongo Khumalo Attorney
Gildenhuys Malatji Attorneys
Mohlala Attorneys
Sefalafala Attorneys
Julie Mahommed Attorneys
Marivate Attorneys
L Guzana Inc
Madonsela Mthunzi Inc
Sibeko Attorneys
Bekker, Brink and Brink Attorneys

Rounding

All amounts have been rounded to the nearest R1

Website

www.msukaligwa.gov.za

Contact number

Tel: 017 8611 Msuka (086 116 7852)
Fax: 017 801 3851



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Msukaligwa Local Municipality

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Abbreviations

ACFO	Acting Chief Financial Officer
AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
COID	Compensation for Occupational Injuries and Diseases
COVID 19	Corona Virus 2019
DCSSL	Department of Community Safety, Security And Liaison
GRAP	Generally Recognised Accounting Practice
GSDM	Gert Sibande District Municipality
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sectoral and Training Authority
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
PPP	Public Private Partnership
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund



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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7 - 127.

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

Mr. S.I. Malaza
Acting Municipal Manager

Ermelo
31 August 2021



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Audit Committee Report

1. Audit committee members and attendance

The Audit committee consists of the members listed hereunder and should meet four times a year, as per its approved terms of reference. During the current year 12 meetings were held.

Name of member	Number of meetings attended
N. Marobane	12
B.P. Mosomane	9
F. Mudau	12

2. 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.

3. 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 IV 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 deviation therefrom. Accordingly, we can report that the system of internal controls 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 report prepared and issued by the Accounting Officer of the municipality during the year under review.

4. 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.



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Office's Report

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

1. Review of activities

Operations

Net deficit of the municipality was 64,414,770 (2020: deficit 77,471,125).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Provincial Executive of the Mpumalanga Provincial Government intervened in the municipality in terms of section 139(1)(b) of the Constitution and Section 139(5) of the Constitution read with Section 139 of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003).

As part of the intervention by the Provincial Executive, the Municipal Financial Recovery Services unit within the Provincial Treasury has been requested to assist with the development of a financial recovery plan for Msukaligwa Local Municipality. The financial recovery plan was developed, approved and implemented in the current financial year under review and has been monitored on a monthly basis.

The primary responsibility to avoid, identify and resolve financial problems rests with the Msukaligwa Council and the Plan must be monitored by Council, the Executive Mayor and the Municipal Manager to ensure successful implementation, and places significant implementation responsibility on the Municipal Manager, Chief Financial Officer and other senior managers.

The Municipality should move away from short term and reactionary planning to a long term stable and sustainable framework, hence the Municipality must prioritise the development of a long term spatial and financial plan that is realistic and achievable and based on sound socio-economic analysis. The financial indicators issued in MFMA Circular 71 should also be used as a basis for such a long-term financial plan.

3. Subsequent events

The term of the serving audit committee ended and a new audit committee was appointed on 1 August 2021.

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer does not have any direct or indirect interest's in contracts.

5. Accounting policies

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

6. Accounting Officer

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

Name
Mr. S.I. Malaza
Ms. G.J. Majola

Changes
Appointed as acting from 26 February
2021
Deceased 06 February 2021



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Annual Financial Statements for the year ended 30 June 2021

Accounting Office's Report

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 responsibilities in lieu of the MFMA, MSA and related Regulations as issued from time to time by National Treasury. We further note responsibilities with regards to the requirements of King IV. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the entity's compliance with the code on a three monthly basis.

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

Audit and risk committee

In the year under review, the audit committee was established, and the audit committee members appointed are as follows:

Audit Committee members:

Position	Name	Date appointed
Chairperson	N. Marobane	31/07/2018
Members:	P.B. Mosomane	31/07/2018
	F. Mudau	31/07/2018

Risk Committee member:

Position	Name	Date appointed
Chairperson	F. Mkhabela	31/07/2018

Performance Audit Committee members:

Position	Name	Date appointed
Chairperson	N. Marobane	31/07/2018
Members:	P.B. Mosomane	31/07/2018
	F. Mudau	31/07/2018

In terms of Section 166 of the Municipal Finance Management Act, (Act 56 of 2003), the municipality, must appoint members of the Audit Committee. Notwithstanding that councillors appointed by the parent municipality constituted the municipal Audit Committees, National Treasury policy requires that municipalities should appoint further members of the entity's audit committees who are not councillors of the municipality onto the audit committee.

Internal audit

The municipality has a fully functional Internal Audit Unit. This is in compliance with the Municipal Finance Management Act, 2003.

The Internal Audit Function must apply to IIA Standards during the course of implementation of their work. Reports are submitted quarterly to the ARC for consideration and approval.

8. Bankers

The municipality changed bank accounts during the year from Standard Bank Limited to First National Bank Limited which is used for daily operations as well as investing of grant funding.

9. Auditors

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



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Accounting Office's Report

10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement.

The municipality has no PPP agreements.

The annual financial statements set out from page 9, 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:

Mr. S.I. Malaza
Acting Municipal Manager



Msukaligwa Local Municipality

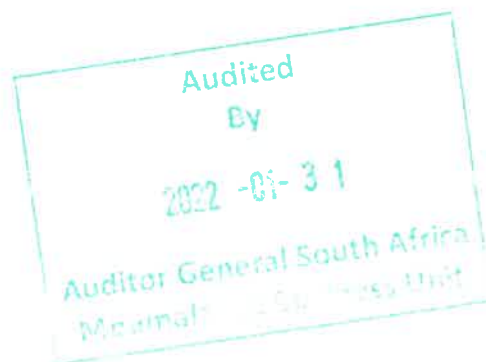
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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	7	26,063,539	17,217,334
Receivables from exchange transactions	8&10	132,017,098	83,922,928
Receivables from non-exchange transactions	9&10	41,729,516	29,247,213
VAT receivable	11	239,562,203	243,964,297
Cash and cash equivalents	12	7,861,421	22,025,012
		447,233,777	396,376,784
Non-Current Assets			
Investment property	3	114,321,362	116,778,443
Property, plant and equipment	4	2,362,971,641	2,325,142,678
Intangible assets	5	108,045	-
Heritage assets	6	192,195	192,195
		2,477,593,243	2,442,113,316
Total Assets		2,924,827,020	2,838,490,100
Liabilities			
Current Liabilities			
Finance lease obligation	13	1,337,562	1,279,349
Payables from exchange transactions	14	1,573,437,721	1,431,008,103
Consumer deposits	15	18,092,991	16,933,577
Employee benefit obligation	16	3,504,000	3,583,000
Unspent conditional grants and receipts	17	1,740,904	16,824,339
		1,598,113,178	1,469,628,368
Non-Current Liabilities			
Finance lease obligation	13	1,179,875	2,517,437
Employee benefit obligation	16	68,723,000	59,030,000
Landfill site provision	18	73,430,066	59,518,621
		143,332,941	121,066,058
Total Liabilities		1,741,446,119	1,590,694,426
Net Assets		1,183,380,901	1,247,795,674
Accumulated surplus		1,183,380,901	1,247,795,674
Total Net Assets		1,183,380,901	1,247,795,674

* See Note 54 & 55



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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	373,677,168	363,516,361
Rental of facilities and equipment	20	2,501,084	2,892,409
Agency services		9,276,278	7,767,956
Other income	21	12,183,998	15,808,231
Interest earned	22	42,394,579	39,755,456
Total revenue from exchange transactions		440,033,107	429,740,413
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	127,003,868	115,906,363
Transfer revenue			
Government grants & subsidies	24	386,175,885	296,674,243
Fines	25	5,970,890	5,751,059
Donations received	26	11,480,722	2,675,968
Total revenue from non-exchange transactions		530,631,365	421,007,633
Total revenue		970,664,472	850,748,046
Expenditure			
Employee related costs	27	(249,247,402)	(234,768,926)
Remuneration of councillors	28	(16,058,210)	(15,941,113)
Repairs and Maintenance	29	(26,475,010)	(41,783,789)
Depreciation	30	(125,858,116)	(126,356,034)
Finance costs	31	(103,371,534)	(30,925,412)
Debt Impairment	32	(49,874,512)	(73,202,037)
Bulk purchases	33	(335,913,422)	(294,285,402)
Contracted services	34	(53,040,615)	(58,092,598)
General Expenses	35	(52,470,977)	(47,800,418)
Total expenditure		(1,012,309,798)	(923,155,729)
Operating deficit		(41,645,326)	(72,407,683)
Loss on disposal of assets and liabilities		(7,346,670)	(11,589,389)
Fair value adjustments	36	-	840,951
Actuarial gain	16	(4,104,602)	7,626,181
(Impairment loss)/Reversal of impairments	37	(11,189,463)	(4,531,203)
Inventories (losses)/gains		(128,709)	2,590,018
		(22,769,444)	(5,063,442)
Deficit for the year		(64,414,770)	(77,471,125)

* See Note 54 & 55



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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated Opening Balance	1,482,308,550	1,482,308,550
Adjustments		
Prior year adjustments	(157,041,751)	(157,041,751)
Balance at 01 July 2019 as restated*	1,325,266,799	1,325,266,799
Changes in net assets		
Surplus for the year	(77,471,125)	(77,471,125)
Total changes	(77,471,125)	(77,471,125)
Opening balance as previously reported	1,405,960,373	1,405,960,373
Adjustments		
Prior year adjustments	(158,164,702)	(158,164,702)
Restated* Balance at 01 July 2020 as restated*	1,247,795,671	1,247,795,671
Changes in net assets		
Surplus for the year	(64,414,770)	(64,414,770)
Total changes	(64,414,770)	(64,414,770)
Balance at 30 June 2021	1,183,380,901	1,183,380,901

* See Note 54 & 55



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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates and Traffic fines		117,895,331	100,376,056
Services		349,274,159	276,094,588
Grants		371,092,450	308,328,941
Interest income		948,898	1,853,436
		<u>839,210,838</u>	<u>686,653,021</u>
Payments			
Employee costs		(255,121,726)	(248,757,513)
Suppliers		(428,396,341)	(334,025,116)
		<u>(683,518,067)</u>	<u>(582,782,629)</u>
Net cash flows from operating activities	38	<u>155,692,771</u>	<u>103,870,392</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(170,742,490)	(106,269,178)
Proceeds from sale of investment property	3	2,457,081	1,940,334
Purchase of other intangible assets	5	(108,045)	-
Net cash flows from investing activities		<u>(168,393,454)</u>	<u>(104,328,844)</u>
Cash flows from financing activities			
Finance lease payments		(1,462,908)	(243,818)
Net increase/(decrease) in cash and cash equivalents		<u>(14,163,591)</u>	<u>(2,508,920)</u>
Cash and cash equivalents at the beginning of the year		22,025,012	24,533,932
Cash and cash equivalents at the end of the year	12	<u>7,861,421</u>	<u>22,025,012</u>

* See Note 54 & 55



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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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	365,701,000	3,278,000	368,979,000	373,677,168	4,698,168	
Rental of facilities and equipment	3,522,000	(936,000)	2,586,000	2,501,084	(84,916)	
Agency services	-	9,532,000	9,532,000	9,276,278	(255,722)	
Other income	24,049,000	(17,564,000)	6,485,000	12,183,998	5,698,998	51 1.01
Interest received	38,454,000	2,527,000	40,981,000	42,394,579	1,413,579	
Total revenue from exchange transactions	431,726,000	(3,163,000)	428,563,000	440,033,107	11,470,107	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	124,695,000	-	124,695,000	127,003,868	2,308,868	
Transfer revenue						
Government grants & subsidies	371,458,000	691,000	372,149,000	386,175,885	14,026,885	51 1.02
Fines, Penalties and Forfeits	795,000	4,430,000	5,225,000	5,970,890	745,890	51 1.03
Donations	-	-	-	11,480,722	11,480,722	51 1.04
Total revenue from non-exchange transactions	496,948,000	5,121,000	502,069,000	530,631,365	28,562,365	
Total revenue	928,674,000	1,958,000	930,632,000	970,664,472	40,032,472	
Expenditure						
Employee related costs	(227,128,000)	(16,659,000)	(243,787,000)	(249,247,402)	(5,460,402)	
Remuneration of councillors	(16,888,000)	-	(16,888,000)	(16,058,210)	829,790	
Repairs and maintenance	(29,530,000)	5,478,000	(24,052,000)	(26,475,010)	(2,423,010)	
Depreciation and amortisation	(128,340,000)	3,293,000	(125,047,000)	(125,858,116)	(811,116)	
Impairment loss/ Reversal of impairments	-	-	-	(11,189,463)	(11,189,463)	51 1.05
Finance costs	-	-	-	(103,371,534)	(103,371,534)	51 1.06
Debt Impairment	(38,142,000)	(60,197,000)	(98,339,000)	(49,874,512)	48,464,488	51 1.07
Bulk purchases	(301,948,000)	(42,000,000)	(343,948,000)	(335,913,422)	8,034,578	
Contracted Services	(78,610,000)	(10,903,000)	(89,513,000)	(53,040,615)	36,472,385	51 1.08
Transfers and Subsidies	-	(265,000)	(265,000)	-	265,000	
General Expenses	(47,623,000)	(8,129,000)	(55,752,000)	(52,470,977)	3,281,023	51 1.08
Total expenditure	(868,209,000)	(129,382,000)	(997,591,000)	(1,023,499,261)	(25,908,261)	
Operating deficit	60,465,000	(127,424,000)	(66,959,000)	(52,834,789)	14,124,211	
Loss on disposal of assets and liabilities	-	1,300,000	1,300,000	(7,346,670)	(8,646,670)	51 1.09
Actuarial gains/losses	-	-	-	(4,104,602)	(4,104,602)	51 1.10
Inventories losses	-	-	-	(128,709)	(128,709)	51 1.11
	-	1,300,000	1,300,000	(11,579,981)	(12,879,981)	
Surplus / (Deficit)	60,465,000	(126,124,000)	(65,659,000)	(64,414,770)	1,244,230	

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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	-	(34,951,000)	(34,951,000)	26,063,539	61,014,539	51 2.01
Receivables from exchange transactions	-	-	-	132,017,098	132,017,098	51 2.02
Receivables from non-exchange transactions	-	-	-	41,729,516	41,729,516	51 2.02
Consumer Debtors	100,812,000	(23,271,000)	77,541,000	-	(77,541,000)	51 2.02
VAT receivable	-	-	-	239,562,203	239,562,203	51 2.03
Cash and cash equivalents	46,988,000	(75,005,000)	(28,017,000)	7,861,421	35,878,421	51 2.04
	147,800,000	(133,227,000)	14,573,000	447,233,777	432,660,777	

Non-Current Assets

Investment property	-	117,019,000	117,019,000	114,321,362	(2,697,638)	51 2.05
Property, plant and equipment	2,839,761,000	(293,034,000)	2,546,727,000	2,362,971,641	(183,755,359)	51 2.06
Intangible assets	-	-	-	108,045	108,045	51 2.07
Heritage assets	-	-	-	192,195	192,195	51 2.08
	2,839,761,000	(176,015,000)	2,663,746,000	2,477,593,243	(186,152,757)	

Total Assets

	2,987,561,000	(309,242,000)	2,678,319,000	2,924,827,020	246,508,020	
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Liabilities

Current Liabilities

Finance lease obligation	-	-	-	1,337,562	1,337,562	51 2.09
Payables from exchange transactions	124,082,000	844,787,000	968,869,000	1,573,437,718	604,568,718	51 2.10
Consumer deposits	18,176,000	(1,242,000)	16,934,000	18,092,991	1,158,991	
Employee benefit obligation	-	-	-	3,504,000	3,504,000	51 2.11
Unspent conditional grants and receipts	-	-	-	1,740,904	1,740,904	51 2.12

	142,258,000	843,545,000	985,803,000	1,598,113,175	612,310,175	
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Non-Current Liabilities

Finance lease obligation	-	-	-	1,179,875	1,179,875	51 2.09
Employee benefit obligation	-	-	-	68,723,000	68,723,000	51 2.11
Landfill site provision	3,000,000	(10,685,000)	(7,685,000)	73,430,066	81,115,066	51 2.13

	3,000,000	(10,685,000)	(7,685,000)	143,332,941	151,017,941	
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Total Liabilities

	145,258,000	832,860,000	978,118,000	1,741,446,116	763,328,116	
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Net Assets

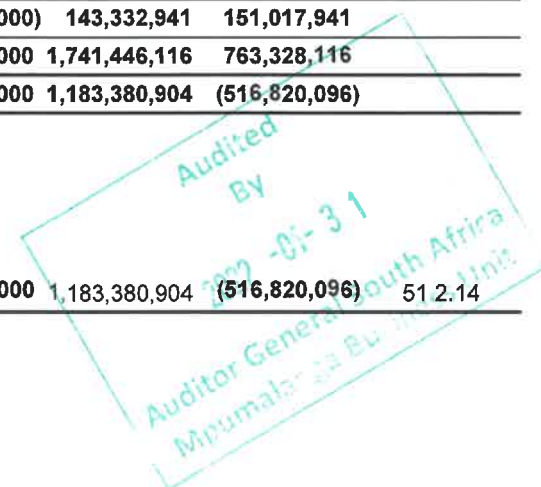
	2,842,303,000	(1,142,102,000)	1,700,201,000	1,183,380,904	(516,820,096)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	2,842,303,000	(1,142,102,000)	1,700,201,000	1,183,380,904	(516,820,096)	51 2.14
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Msukaligwa Local Municipality

(Registration number MP302)

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						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	117,771,000	(29,252,000)	88,519,000	117,895,331	29,376,331	51 3.01
Services	350,442,000	65,754,000	416,196,000	332,776,414	(83,419,586)	51 3.02
Grants	400,458,000	(400,458,000)	-	371,092,450	371,092,450	
Interest income	19,111,000	(17,203,000)	1,908,000	948,898	(959,102)	51 3.03
Other receipts	24,811,000	376,858,000	401,669,000	-	(401,669,000)	51 3.04
	912,593,000	(4,301,000)	908,292,000	822,713,093	(85,578,907)	
Payments						
Suppliers and Employee costs	(736,345,000)	17,841,000	(718,504,000)	(667,020,322)	51,483,678	51 3.05
Net cash flows from operating activities	176,248,000	13,540,000	189,788,000	155,692,771	(34,095,229)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(176,248,000)	(47,529,000)	(223,777,000)	(170,742,490)	53,034,510	
Proceeds from sale of property, plant and equipment	-	-	-	2,457,081	2,457,081	51 3.06
Purchase of other intangible assets	-	-	-	(108,045)	(108,045)	51 3.07
Net cash flows from investing activities	(176,248,000)	(47,529,000)	(223,777,000)	(168,393,454)	55,383,546	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	-	1,242,000	1,242,000	-	(1,242,000)	51 3.08
Finance lease payments	-	-	-	(1,462,908)	(1,462,908)	51 3.09
Net cash flows from financing activities	-	1,242,000	1,242,000	(1,462,908)	(2,704,908)	
Net increase/(decrease) in cash and cash equivalents	-	(32,747,000)	(32,747,000)	(14,163,591)	18,583,409	
Cash and cash equivalents at the beginning of the year	21,988,000	37,000	22,025,000	22,025,012	12	
Cash and cash equivalents at the end of the year	21,988,000	(32,710,000)	(10,722,000)	7,861,421	18,583,421	



Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated audited outcome
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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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2021

Financial Performance

Property rates	115,048,024	-	115,048,024	-	-	115,048,024	127,003,868	-	11,955,844	110 %	110 %
Service charges	378,375,887	-	378,375,887	-	-	378,375,887	373,677,168	-	(4,698,719)	99 %	99 %
Investment revenue	1,800,000	-	1,800,000	-	-	1,800,000	42,394,579	-	40,594,579	2,355 %	2,355 %
Transfers recognised - operational	180,587,500	-	180,587,500	-	-	180,587,500	224,299,556	-	43,712,056	124 %	124 %
Other own revenue	-	-	-	-	-	-	41,412,972	-	41,412,972	DIV/0 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	675,811,411	-	675,811,411	-	-	675,811,411	808,788,143	-	132,976,732	120 %	120 %
Employee costs	(234,577,509)	-	(234,577,509)	-	-	(234,577,509)	(249,247,402)	-	(14,669,893)	106 %	106 %
Remuneration of councillors	(16,317,244)	-	(16,317,244)	-	-	(16,317,244)	(16,058,210)	-	259,034	98 %	98 %
Debt impairment	-	-	-	-	-	-	(49,874,512)	-	(49,874,512)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(84,416,664)	-	(84,416,664)	-	-	(84,416,664)	(137,047,579)	-	(52,630,915)	162 %	162 %
Finance charges	(341,297,293)	-	(341,297,293)	-	-	(341,297,293)	(103,371,534)	-	(103,371,534)	DIV/0 %	DIV/0 %
Materials and bulk purchases	-	-	-	-	-	-	(335,913,422)	-	5,383,871	98 %	98 %

Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2021

Other expenditure	-	-	-	-	(143,566,583)	-	(143,566,583)	DIV/O %	DIV/O %
Total expenditure	(676,608,710)	-	(676,608,710)	-	(676,608,710)	1,035,079,242	-	153 %	153 %
Surplus/(Deficit)	(797,299)	-	(797,299)	-	(797,299)	(226,291,099)	(225,493,800)	28,382 %	28,382 %
Transfers recognised - capital	130,074,500	-	130,074,500	-	130,074,500	161,876,329	31,801,829	124 %	124 %
Surplus (Deficit) after capital transfers and contributions	129,277,201	-	129,277,201	-	129,277,201	(64,414,770)	(193,691,971)	(50)%	(50)%
Surplus/(Deficit) for the year	129,277,201	-	129,277,201	-	129,277,201	(64,414,770)	(193,691,971)	(50)%	(50)%

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-	-	305,372,451	305,372,451	DIV/O %	DIV/O %
Sources of capital funds									
Transfers recognised - capital	190,149,001	(50,075,001)	140,074,000	-	140,074,000	-	(140,074,000)	- %	- %

Cash flows

Net cash from (used) operating	60,597,667	-	60,597,667	-	60,597,667	155,692,771	95,095,104	257 %	257 %
Net cash from (used) investing	(130,074,500)	-	(130,074,500)	-	(130,074,500)	(168,393,454)	(38,318,954)	129 %	129 %
Net cash from (used) financing	-	-	-	-	-	(1,462,908)	(1,462,908)	DIV/O %	DIV/O %
Net increase/(decrease) in cash and cash equivalents	(69,476,833)	-	(69,476,833)	-	(69,476,833)	(14,163,591)	55,313,242	20 %	20 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	22,025,012	22,025,012	DIV/O %	DIV/O %
Cash and cash equivalents at year end	(69,476,833)	-	(69,476,833)	-	(69,476,833)	7,861,421	(77,338,254)	(11)%	(11)%

Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MIFMA	Balance to be Restated audited outcome
2020			
Financial Performance			
Property rates			115,906,363
Service charges			363,516,361
Investment revenue			39,755,456
Transfers recognised - operational			178,634,184
Other own revenue			45,952,773
Total revenue (excluding capital transfers and contributions)			743,765,137
Employee costs	-	-	(234,768,926)
Remuneration of councillors	-	-	(15,941,113)
Debt impairment	-	-	(73,202,037)
Depreciation and asset impairment	-	-	(130,887,237)
Finance charges	-	-	(30,925,412)
Materials and bulk purchases	-	-	(294,285,402)
Other expenditure	-	-	(159,266,194)
Total expenditure	-	-	(939,276,321)
Surplus/(Deficit)			(195,511,184)
Transfers recognised - capital			118,040,059
Surplus (Deficit) after capital transfers and contributions			(77,471,125)
Surplus/(Deficit) for the year			(77,471,125)
Capital expenditure and funds sources			
Total capital expenditure			100,943,934

Audited
By
2022-01-31
Auditor General South Africa
Mpumala - 23 Business Unit

Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated recovered audited outcome
Cash flows			
Net cash from (used) operating			103,870,392
Net cash from (used) investing			(104,328,844)
Net cash from (used) financing			(243,818)
Net increase/(decrease) in cash and cash equivalents			(702,270)
Cash and cash equivalents at the beginning of the year			22,473,412
Cash and cash equivalents at year end			21,771,142



Msukaligwa Local Municipality

(Registration number MP302)

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.

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 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 18 - 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 waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for doubtful debts

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

Other

All assets and liabilities have been grossed up (i.e. not offset against each other), except where offsetting is required or permitted by a Standard of GRAP or where offsetting reflects the substance of the transaction or event.

1.4 Investment property

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

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

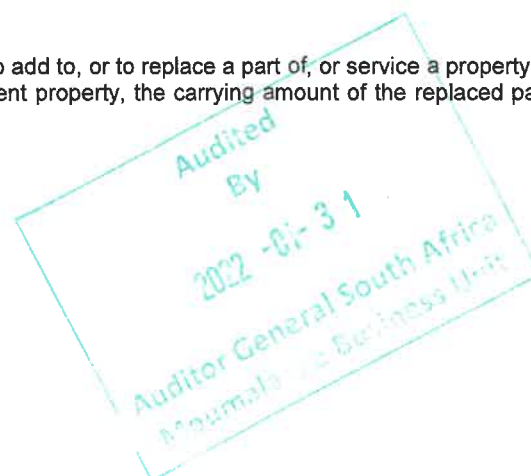
Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	25 - 50 Years
Land - Landfill	Straight-line	Per expert report
Plant and machinery	Straight-line	4 - 15 Years
Furniture and fixtures	Straight-line	4 - 15 Years
Motor vehicles	Straight-line	5 - 15 Years
IT equipment	Straight-line	2 - 5 Years
Infrastructure - Mechanical equipment	Straight-line	10 - 20 Years
Civil structures	Straight-line	15 - 50 Years
Electricity - Distribution cables	Straight-line	40 - 50 Years
Electricity - Equipment	Straight-line	15 - 45 Years
Electricity - Public lighting	Straight-line	30 - 40 years
External facilities	Straight-line	7 - 30 Years
Roads - Bridges	Straight-line	30 - 80 Years
Roads - Furniture	Straight-line	8 - 80 Years
Roads - S structure	Straight-line	10 - 50 Years
Roads - Traffic Management	Straight-line	10 - 15 Years
Sewerage - Pipe line	Straight-line	40 - 50 Years
Sewerage - Pump station	Straight-line	10 - 55 Years
Sports and playground	Straight-line	10 - 40 Years
Stormwater - Drainage construction	Straight-line	50 - 70 Years
Stormwater - Drainage unlined	Straight-line	10 - 15 Years
Water - Dams and reservoirs	Straight-line	50 - 80 Years
Water - Other	Straight-line	15 - 20 Years
Water - Pipes and grid	Straight-line	50 - 90 Years
Water - Pumps and tanks	Straight-line	15 - 20 Years
Intangible assets - Computer software	Straight-line	3 - 5 Years
Library books	Straight-line	5-10 Years

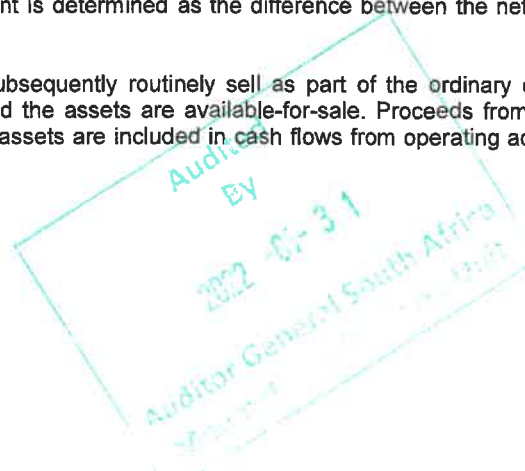
The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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.



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Accounting Policies

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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.

1.7 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.

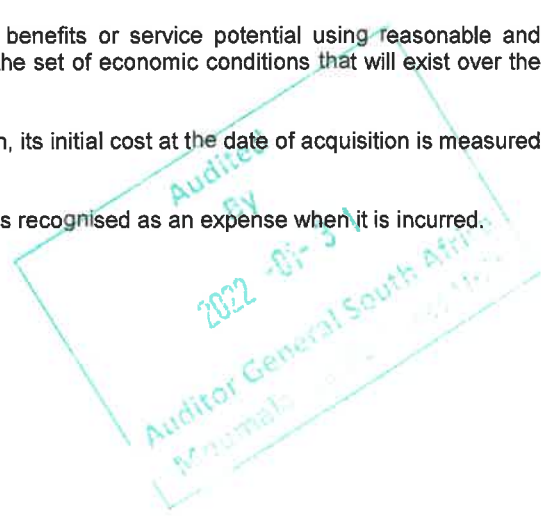
An intangible asset is recognised when:

- 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.



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1.7 Intangible assets (continued)

- 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.

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.

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.

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 Years

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.

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

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

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

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

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

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

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

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Accounting Policies

1.8 Heritage assets (continued)

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.

1.9 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

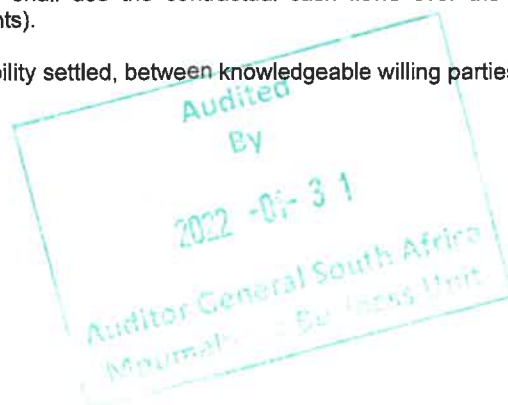
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or



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Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

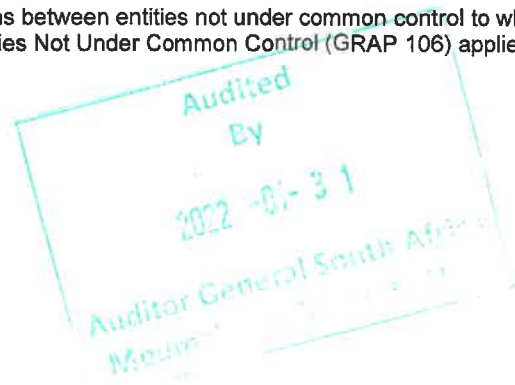
Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

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

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

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

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



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Accounting Policies

1.9 Financial instruments (continued)

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

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
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade receivables from non exchange transactions	Financial asset measured at amortised cost
Investments	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
Vat Payable	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Employee benefit provisions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Audited
By
2022-05-31
Auditor General South Africa
Moumalé & Associates Unit

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Accounting Policies

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

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

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



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Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

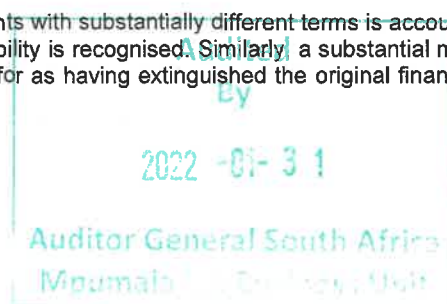
If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative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

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

Financial liabilities

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

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



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Accounting Policies

1.9 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

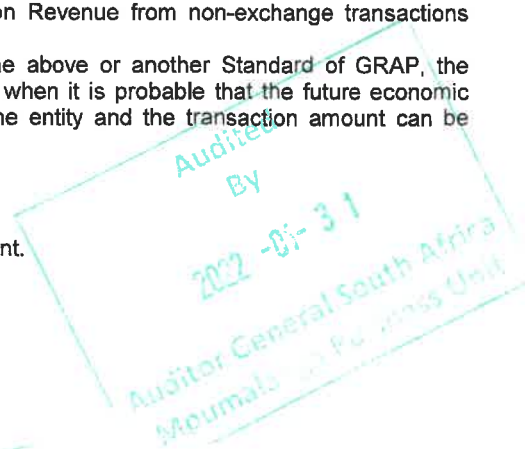
Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.



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Accounting Policies

1.10 Statutory receivables (continued)

Subsequent measurement

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

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

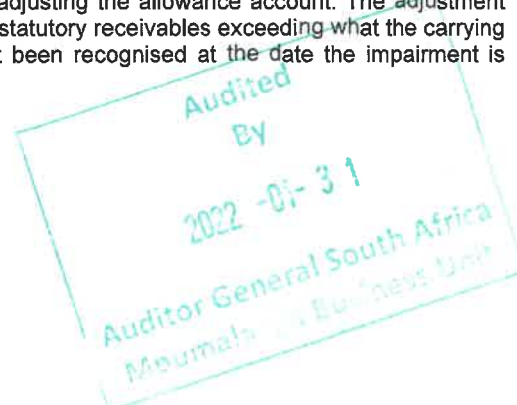
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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



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Accounting Policies

1.10 Statutory receivables (continued)

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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.

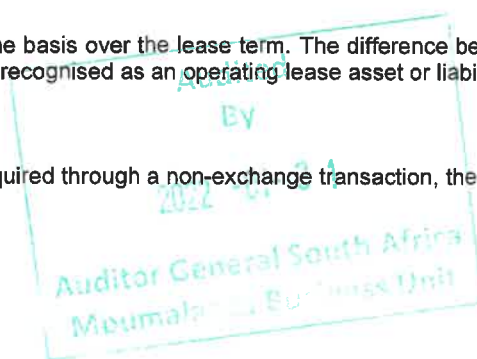
Income for leases is disclosed under revenue in statement of financial performance.

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.



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1.12 Inventories (continued)

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

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

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.

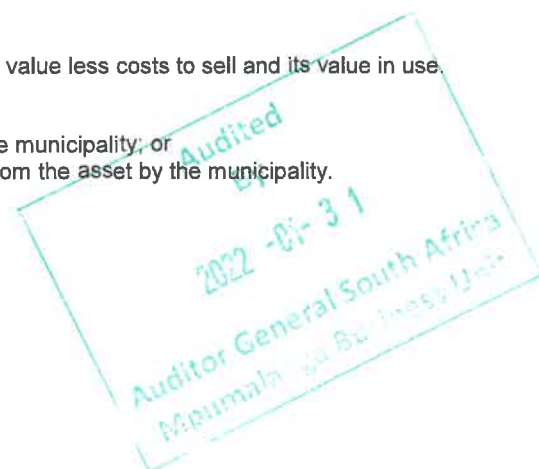
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.



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Accounting Policies

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.

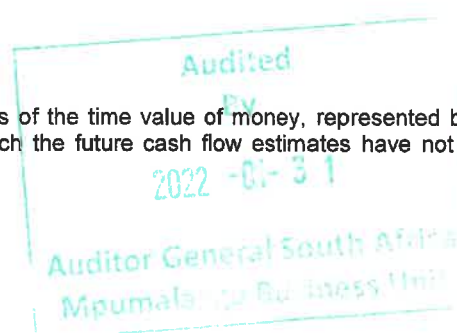
Estimates of future cash flows exclude:

- 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.

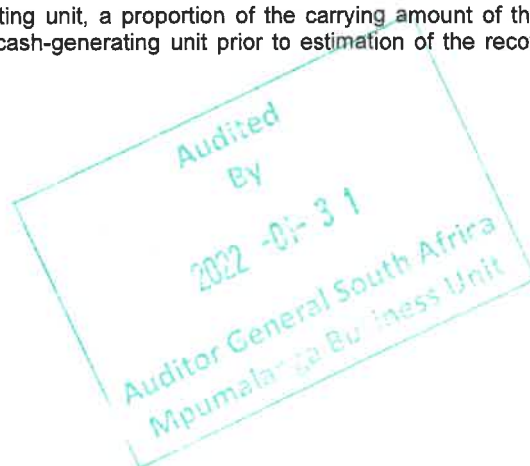
An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each 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.

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

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

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:

[Specify judgements made]

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also 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:

Depreciated replacement cost approach

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

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



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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 Employee benefits

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

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

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

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

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

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

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1.15 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

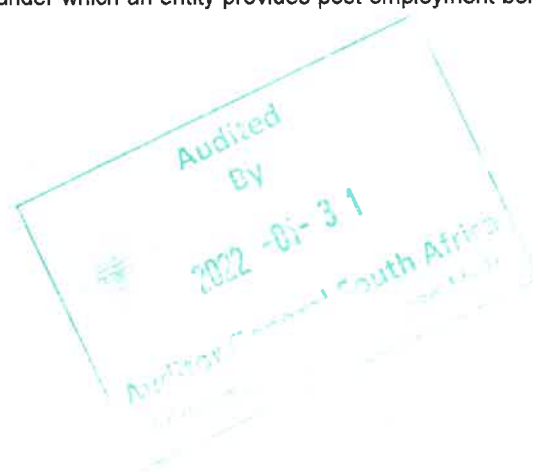
The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount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

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

Post-employment benefits

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

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



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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

The municipality provides post-retirement medical aid benefits on retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

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

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

The expense or income shall include the following:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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



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1.15 Employee benefits (continued)

Defined benefit plans

Defined benefit plans are benefit plans other than defined contribution plans.

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

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

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

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

The present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

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

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

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

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

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

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

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

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1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

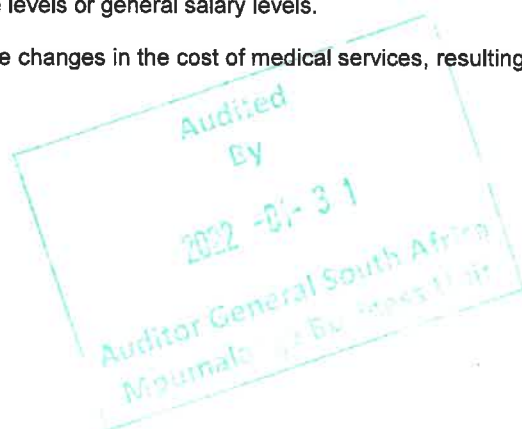
Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

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

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

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

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



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1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

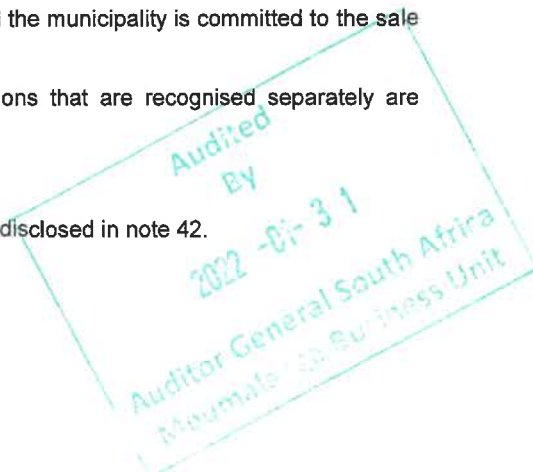
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

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

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



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1.16 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, an municipality recognises the obligation at the higher of:

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

Decommissioning, restoration and similar liability

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:

- 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.

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.



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1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

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

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, contracts should relate to something other than the business of the municipality.

1.18 Revenue from exchange transactions

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

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

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

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest 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.

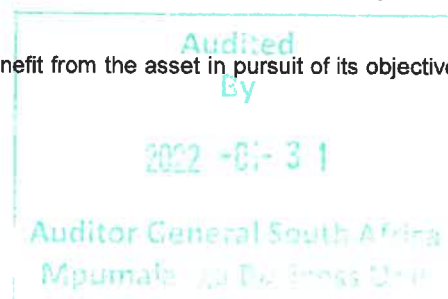
Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.19 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.



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1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

Recognition

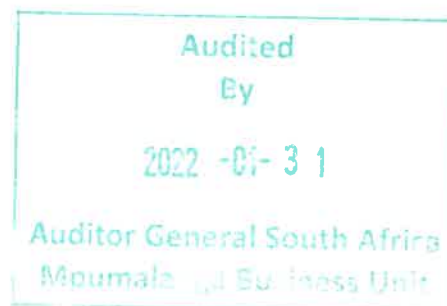
An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

Measurement

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

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.



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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

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1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.21 Investment income

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

1.22 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.

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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



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1.23 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

1.25 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 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.

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

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

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1.28 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. Refer to note 56.

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 01/04/2010 to 31/03/2011.

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.

1.30 Related parties

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.31 Events after reporting date

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

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

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

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

1.32 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

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 development and, where applicable, the amount attributed to the 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.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

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1.32 Living and non-living resources (continued)

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

1.33 Value added tax

The municipality is registered with the SARS for VAT on the payment basis, in accordance with the Section 15(2)(a) of the Value Added Tax Act no 89 of 1991.

1.34 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.



Msukaligwa Local Municipality

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Figures in Rand	2021	2020
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2020	Additional disclosures; comparatives not required for first time adoption
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	No significant impact

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2021	Not expected to impact results but may result in additional disclosure



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3. Investment property

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	114,321,362	-	114,321,362	116,778,443	-	116,778,443

Reconciliation of investment property - 2021

	Opening balance	Disposals	Total
Investment property	116,778,443	(2,457,081)	114,321,362

Reconciliation of investment property - 2020

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	117,607,485	(1,642,629)	813,587	116,778,443

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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4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	135,162,948	-	135,162,948	135,162,948	-	135,162,948
Plant and machinery	5,240,222	(2,376,170)	2,864,052	4,865,595	(2,492,047)	2,373,548
Furniture, fixtures and Office equipment	13,149,592	(9,170,276)	3,979,316	12,059,309	(8,199,573)	3,859,736
Motor vehicles	55,259,300	(12,195,031)	43,064,269	35,304,186	(11,131,912)	24,172,274
IT equipment	7,231,220	(4,140,648)	3,090,572	5,180,903	(3,492,852)	1,688,051
Community	526,696,280	(302,718,045)	223,978,235	515,400,128	(288,555,695)	226,844,433
Library books	10,165,237	(2,692,742)	7,472,495	10,124,629	(1,680,177)	8,444,452
Electrical	689,410,049	(378,833,999)	310,576,050	689,167,148	(358,327,641)	330,839,507
Roads	1,550,415,779	(966,030,710)	584,385,069	1,539,292,643	(918,641,656)	620,650,987
Lease assets	4,006,550	(1,558,713)	2,447,837	4,006,550	(223,196)	3,783,354
Sanitation	778,932,558	(323,978,147)	454,954,411	758,591,690	(313,442,231)	445,149,459
Water supply	1,149,012,963	(564,556,148)	584,456,815	1,058,778,161	(544,289,713)	514,488,448
Solid waste	26,151,889	(19,612,317)	6,539,572	26,151,889	(18,466,408)	7,685,481
Total	4,950,834,587	(2,587,862,946)	2,362,971,641	4,794,085,779	(2,468,943,101)	2,325,142,678

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	WIP	Disposals	Depreciation	Impairment loss	Total
Land	135,162,948	-	-	-	-	-	135,162,948
Plant and machinery	2,373,548	1,028,261	-	(4,748)	(534,009)	-	2,864,052
Furniture, fixtures and Office equipment	3,859,736	1,230,212	-	(42,645)	(1,051,755)	(16,232)	3,979,316
Motor vehicles	24,172,274	20,615,598	-	-	(1,342,190)	(381,413)	43,064,269
IT equipment	1,688,051	2,171,437	-	-	(751,460)	(17,456)	3,090,572
Community	226,844,433	18,323,099	(6,523,856)	(94,064)	(13,025,889)	(1,545,488)	223,978,235
Library books	8,444,452	40,608	-	-	(1,012,565)	-	7,472,495
Electrical	330,839,507	1,040,041	136,819	(444,088)	(17,880,015)	(3,116,214)	310,576,050
Roads	620,650,987	38,085,213	(23,367,057)	(269,058)	(47,788,509)	(2,926,507)	584,385,069
Leased assets	3,783,354	-	-	-	(1,335,517)	-	2,447,837
Sanitation	445,149,459	82,009,803	(54,138,374)	(2,683,633)	(14,538,402)	(844,442)	454,954,411
Water supply	514,488,448	6,635,871	94,310,434	(3,215,436)	(25,433,123)	(2,329,379)	584,456,815
Solid waste	7,685,481	-	-	-	(1,133,577)	(12,332)	6,539,572
	2,325,142,678	171,181,143	10,417,966	(6,753,672)	(125,827,011)	(11,189,463)	2,362,971,641

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	WIP	Disposals	Depreciation	Impairment loss	Total
Land	135,162,948	-	-	-	-	-	135,162,948
Plant and machinery	2,575,854	422,159	-	(98,923)	(449,205)	(76,337)	2,373,548
Furniture and fixtures & Office equipment	4,066,779	819,152	-	(80,799)	(903,619)	(41,777)	3,859,736
Motor vehicles	24,541,563	2,477,724	-	(1,644,647)	(1,187,425)	(14,941)	24,172,274
IT equipment	1,753,446	511,680	-	(37,816)	(512,165)	(27,094)	1,688,051
Community	234,298,179	-	8,001,215	(1,035,486)	(13,153,156)	(1,266,319)	226,844,433
Library books	9,458,300	-	-	-	(1,013,848)	-	8,444,452
Electrical	336,407,473	17,479,217	(5,180,232)	(290,056)	(17,555,058)	(21,837)	330,839,507
Roads	646,653,464	4,490,314	22,898,241	(267,704)	(52,614,295)	(509,033)	620,650,987
Leased assets	-	4,006,550	-	-	(223,196)	-	3,783,354
Sanitation	410,303,662	-	51,644,683	(2,860,788)	(12,194,755)	(1,743,343)	445,149,459
Water supply	540,865,465	3,698,075	1,682,921	(5,570,874)	(25,356,617)	(830,522)	514,488,448
Solid waste	8,878,173	50,000	(50,000)	-	(1,192,692)	-	7,685,481
	2,354,965,306	33,954,871	78,996,828	(11,887,093)	(126,356,031)	(4,531,203)	2,325,142,678

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Opening	Additions	Completion	Total
Community	8,485,121	11,799,243	(18,323,099)	1,961,265
Electrical	-	1,176,860	(1,040,041)	136,819
Roads	28,471,478	14,718,157	(38,085,213)	5,104,422
Sanitation	86,955,934	27,871,430	(82,009,803)	32,817,561
Water supply	1,682,921	100,946,307	(6,635,871)	95,993,357
	125,595,454	156,511,997	(146,094,027)	136,013,424

Reconciliation of Work-in-Progress 2020

	Opening	Additions	Completion	Total
Community	483,906	8,001,215	-	8,485,121
Electrical	5,180,232	12,298,986	(17,479,218)	-
Roads	5,573,237	27,388,555	(4,490,314)	28,471,478
Sanitation	35,311,250	51,644,684	-	86,955,934
Solid Waste	50,000	-	(50,000)	-
Water supply	-	5,380,995	(3,698,074)	1,682,921
	46,598,625	104,714,435	(25,717,606)	125,595,454

Projects taking significantly longer to complete

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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4. Property, plant and equipment (continued)

Disposals

Loss on Disposal: Total R 6 753 673

During the financial year the municipality incurred disposals/write-offs on its Property, Plant and Equipment due to various factors.

These included, amongst others, infrastructure that were upgraded (for example, roads that have been replaced by new brick paved roads, including upgrades to its storm water drainage systems) or infrastructure that were downgraded and written off due to theft, vandalism, fire damage, lightning damage, normal breakage or building demolition.

The majority of these involuntarily write-offs were due to acts of vandalism and thefts.

Infrastructure Assets:

- Community: R 94 065 (Loss on Disposal)

Certain components relating to operational and community buildings were written off.

- Electrical: R 444 088 (Loss on Disposal)

Various pole mounted transformers were replaced due to lightning damage/normal wear and tear.

- Roads and Storm Water drainage: R 269 058 (Loss on Disposal)

Various dilapidated road structures and drainage collection points were written off due to being upgraded and rebuilt.

- Sanitation: R 2 683 632 (Loss on Disposal)

The wastewater treatment works in Ermelo and Sheepmoor is being upgraded, and various submersible pumps, electrical motors, pipes, and valves were written off and replaced.

- Water Supply: R 3 215 436 (Loss on Disposal)

Various boreholes and handpumps were written off due to disrepair. Various water pumps and other mechanical equipment were written off and replaced at the Lothair, Breyten and Douglas Dam water treatment works.

Movable Assets:

- Plant and Machinery: R 42 645 (Loss on Disposal)
- Furniture, Fixtures and Fittings: R 4 749 (Loss on Disposal)

Gain on Disposal: Total R1 231 050



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4. Property, plant and equipment (continued)

Various assets written off in the 2019/2020 financial year to R nil value were sold on public auction in October 2020 and generated a gain for the municipality.

Detailed descriptions, component types and Rand values assigned to each of the above written off assets can be found in the Fixed Asset Register of the municipality.



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5. Intangible assets

	2021		2020		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
139,149	(31,104)	108,045	-	-	-

Reconciliation of intangible assets - 2021

Opening balance	Additions	Amortisation	Total
-	139,149	(31,104)	108,045

Other Information

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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6. Heritage assets

Heritage assets which fair values cannot be reliably measured: (Para .94)
Art Collections, antiquities and exhibits

Reconciliation of heritage assets 2021

Heritage assets which fair values cannot be reliably measured: (Para .94)
Art Collections, antiquities and exhibits

Reconciliation of heritage assets 2020

Heritage assets which fair values cannot be reliably measured: (Para .94)
Art Collections, antiquities and exhibits

Heritage assets which fair values cannot be reliably measured

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.

7. Inventories

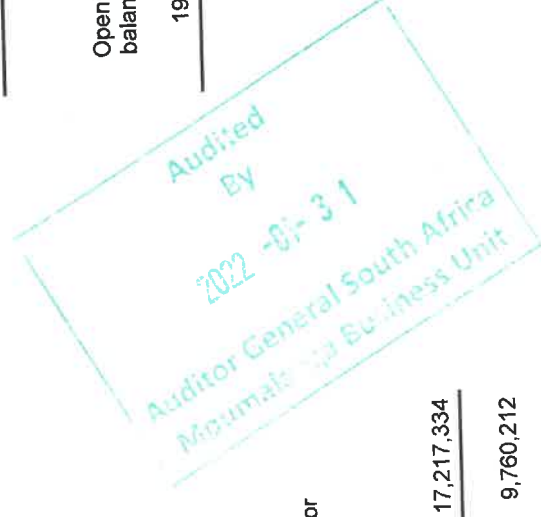
Consumables

Carrying value of inventories carried at fair value less costs to sell

		2021		2020	
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
192,195	-	192,195	192,195	-	192,195

Opening balance	Total
192,195	192,195

Opening balance	Total
192,195	192,195



26,063,539	17,217,334
18,026,557	9,760,212

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
8. Receivables from exchange transactions		
Consumer debtors - Electricity	38,368,558	29,985,220
Consumer debtors - Water	39,534,070	20,328,231
Consumer debtors - Sewerage	17,889,205	10,032,297
Consumer debtors - Refuse	17,035,034	8,913,415
Consumer debtors - Services	9,269,893	5,143,547
Consumer debtors - Rentals	1,185,959	620,032
Consumer debtors - Land sales	11,769	2,641
Debtor - Gert Sibande District Municipality	4,170,328	4,170,329
Fleet card - balance receivable	96,003	-
Prepaid electricity	4,456,860	4,727,216
Refunds and prepayments	(581)	-
	132,017,098	83,922,928

Credit quality of trade and other receivables

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

9. Receivables from non-exchange transactions

Fines	1,676,277	994,903
Consumer debtors - Rates	40,053,239	28,252,310
	41,729,516	29,247,213

10. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	141,676,812	137,732,690
Consumer debtors - Electricity	144,187,775	150,166,682
Consumer debtors - Water	202,171,268	189,147,243
Consumer debtors - Sewerage	124,353,481	109,435,859
Consumer debtors - Refuse	123,690,828	112,543,440
Consumer debtors - Service debtors	45,914,832	50,012,611
Consumer debtors - Rentals	6,217,976	5,852,541
Consumer debtors - Land sale	42,523	40,953
	788,255,495	754,932,019

Less: Allowance for impairment

Consumer debtors - Rates	(101,623,573)	(109,480,380)
Consumer debtors - Electricity	(105,819,217)	(120,181,462)
Consumer debtors - Water	(162,637,198)	(168,819,012)
Consumer debtors - Sewerage	(106,464,276)	(99,403,562)
Consumer debtors - Refuse	(106,655,794)	(103,630,025)
Consumer debtors - Service debtors	(36,644,939)	(44,869,064)
Consumer debtors - Rentals	(5,032,017)	(5,232,509)
Consumer debtors - Land sale	(30,754)	(38,312)
	(624,907,768)	(651,654,326)

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
10. Consumer debtors disclosure (continued)		
Net balance		
Consumer debtors - Rates	40,053,239	28,252,310
Consumer debtors - Electricity	38,368,558	29,985,220
Consumer debtors - Water	39,534,070	20,328,231
Consumer debtors - Sewerage	17,889,205	10,032,297
Consumer debtors - Refuse	17,035,034	8,913,415
Consumer debtors - Service debtors	9,269,893	5,143,547
Consumer debtors - Rentals	1,185,959	620,032
Consumer debtors - Land sale	11,769	2,641
	163,347,727	103,277,693
Rates		
Current (0 -30 days)	11,969,786	10,239,934
31 - 180 days	7,907,618	7,146,456
181 - 360 days	5,196,875	4,091,169
Over 1 year	5,553,333	4,382,408
Over 2 years	9,425,627	2,392,343
	40,053,239	28,252,310
Electricity		
Current (0 -30 days)	16,666,214	18,128,913
31 - 180 days	5,869,121	5,424,054
181 - 360 days	3,628,550	2,192,453
Over 1 year	4,090,718	2,247,824
Over 2 years	8,113,955	1,991,976
	38,368,558	29,985,220
Water		
Current (0 -30 days)	6,599,847	6,949,250
31 - 180 days	6,514,332	4,892,798
181 - 360 days	5,476,821	2,727,774
Over 1 year	7,094,239	2,800,298
Over 2 years	13,848,831	2,958,111
	39,534,070	20,328,231
Sewerage		
Current (0 -30 days)	3,956,266	3,678,334
31 - 180 days	3,808,549	2,915,853
181 - 360 days	2,938,598	1,250,522
Over 1 year	2,650,018	1,325,039
Over 2 years	4,535,774	862,549
	17,889,205	10,032,297
Refuse		
Current (0 -30 days)	3,616,826	3,173,357
31 - 180 days	3,459,032	2,457,076
181 - 360 days	2,906,248	1,082,980
Over 1 year	2,638,615	1,205,918
Over 2 years	4,414,313	994,084
	17,035,034	8,913,415

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Figures in Rand	2021	2020
10. Consumer debtors disclosure (continued)		
Service debtors		
Current (0 -30 days)	829,963	863,611
31 - 180 days	386,815	456,226
181 - 360 days	727,702	1,079,794
Over 1 year	1,538,413	948,684
Over 2 years	5,787,000	1,795,232
	9,269,893	5,143,547
Rentals		
Current (0 -30 days)	180,159	125,567
31 - 180 days	326,984	182,345
181 - 360 days	226,855	192,876
Over 1 year	225,040	93,782
Over 2 years	226,921	25,462
	1,185,959	620,032
Land sales		
Current (0 -30 days)	159	67
31 - 180 days	398	166
181 - 360 days	474	403
Over 1 year	1,113	995
Over 2 years	9,625	1,010
	11,769	2,641
11. VAT receivable		
VAT	239,562,203	243,964,297
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Petty cash	23,972	37,064
Bank balances	3,264,903	1,265,977
Short-term deposits	4,572,546	20,721,971
	7,861,421	22,025,012

The municipality had the following bank accounts

Account	Bank statement balances			Ledger balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank Business - 031077110	-	-	26,565,346	-	-	22,693,735
First National Bank - Current Account - 62822833267	1,452,036	1,265,977	-	3,264,903	1,265,977	-
First National Bank - Call Account - 62837049031	2,876,927	20,721,971	-	2,876,927	20,721,971	-
First National Bank - Current Account - 62858041272	1,695,619	-	-	1,695,619	-	-
Total	6,024,582	21,987,948	26,565,346	7,837,449	21,987,948	22,693,735

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Figures in Rand	2021	2020
13. Finance lease obligation		
Minimum lease payments due		
- within one year	1,462,908	1,462,908
- in second to fifth year inclusive	1,219,090	2,681,998
	<u>2,681,998</u>	<u>4,144,906</u>
less: future finance charges	(164,560)	(348,119)
Present value of minimum lease payments	<u>2,517,438</u>	<u>3,796,787</u>
Present value of minimum lease payments due		
- within one year	1,337,563	1,279,349
- in second to fifth year inclusive	1,179,875	2,517,437
	<u>2,517,438</u>	<u>3,796,786</u>
Non-current liabilities	1,179,875	2,517,437
Current liabilities	1,337,562	1,279,349
	<u>2,517,437</u>	<u>3,796,786</u>

The lease term was 3 years. Interest rates are fixed at the contract date. Leases have fixed repayments. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

14. Payables from exchange transactions

13th cheque accrual	4,727,495	4,513,791
Creditors return of payments	349,728	422,435
Employee related payable and accruals	6,306,028	2,774,621
Fleet cards	-	11,149
Leave pay accrual	21,105,485	20,176,108
Licensing and registration	2,830,747	252,519
Receivables paid in advance	30,475,004	12,418,940
Retentions and guarantees held	14,559,307	14,567,985
Trade payables	1,480,710,463	1,304,437,959
Trade payables to be written off	2,940,991	-
Unallocated receipts	9,626,218	22,673,657
Year end accruals	(193,745)	48,758,939
	<u>1,573,437,721</u>	<u>1,431,008,103</u>

15. Consumer deposits

Consumer deposits	17,990,584	16,810,869
Sundry deposits	102,407	122,708
	<u>18,092,991</u>	<u>16,933,577</u>

16. Employee benefit obligations

The municipality provides a post-employment medical aid plan to some employees - this is a defined contribution plan; as well as a defined contribution plan in the form of a long-service award.

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16. Employee benefit obligations (continued)

Changes in the present value of the employee benefit obligations are as follows:

Opening balance	62,613,000	64,758,971
Contributions paid	(3,629,602)	(2,268,824)
Expected benefit vesting	-	(1,073,792)
Net expense recognised in the statement of financial performance	13,243,602	1,196,645
	72,227,000	62,613,000
Net expense recognised in the statement of financial performance		
Current service cost	3,174,000	3,076,432
Interest cost	5,965,000	5,746,394
Actuarial (gains)/losses	4,104,602	(7,626,181)
	13,243,602	1,196,645

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(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
16. Employee benefit obligations (continued)		
Current liabilities		
Post-employment medical aid	2,388,000	2,314,000
Long service award	1,116,000	1,269,000
	3,504,000	3,583,000
Non-current liabilities		
Post-employment medical aid	56,742,000	48,540,000
Long service award	11,981,000	10,490,000
	68,723,000	59,030,000
Combined		
Post-employment medical aid	59,130,000	50,854,000
Long service award	13,097,000	11,759,000
	72,227,000	62,613,000

Post retirement medical aid plan

In estimating the unfunded liability for post-employment health care benefits a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors).

The following assumptions were used:

Key assumptions	10.04%	10.37%
Discount rate	6.80%	6.44%
Health care cost inflation rate	3.03%	3.69%
Net-of-health-care-cost-inflation discount rate	4.73%	4.46%
Maximum subsidy inflation rate	5.08%	5.66%
Net-of-maximum-subsidy-inflation discount rate	62	62
Average retirement age	60%	60%
Proportion with a spouse dependant at retirement	75%	75%
Continuation of membership at retirement	15%	15%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement		

Mortality during employment is based on the SA 85-90 tables, and mortality post-employment is based on the PA(90) -1 tables with a 1% mortality improvement p.a. from 2010. The following withdrawal rates were assumed:

Age	Rate
20	9%
25	8%
30	6%
35	5%
40	5%
45	4%
50	3%
55+	0%

Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is much uncertainty as to how it will affect mortality, and how the vaccine will be made available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected.

Msukaligwa Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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16. Employee benefit obligations (continued)

	2021	2020	2019	2018	2017
History of liability	59,130,000	50,854,000	53,621,000	56,125,000	53,027,000

Long service award liability

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	2%	5/250 x annual salary
10	4%	10 / 250 x annual salary
15	8%	20 / 250 x annual salary
20,25,30,35	12%	30 / 250 x annual salary
40	16%	40 / 250 x annual salary
45	18%	45 / 250 x annual salary

In estimating the unfunded liability for LSA of Msukaligwa Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors).

The following assumptions were used:

Key assumptions

Discount rate	9.06%	7.26%
General earnings inflation rate (long-term)	5.76%	3.92%
Net effective discount rate	3.12%	3.21%
Average retirement age	62	62

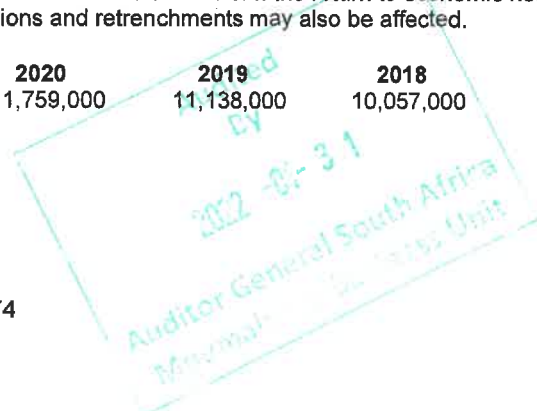
Mortality during employment is based on the SA 85-90 tables. The following withdrawal rates were assumed:

Age	Rate
20	9%
25	8%
30	6%
35	5%
40	5%
45	4%
50	3%
55+	0%

Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is much uncertainty as to how it will affect mortality, and how the vaccine will be made available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected.

	2021	2020	2019	2018	2017
History of the liability	13,097,000	11,759,000	11,138,000	10,057,000	9,672,000



Msukaligwa Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Financial management grant	587,690	-
Financial management grant	1	24,737
Integrated National Electrification Programme	-	208,574
Local Government Sector Education and Training Authority grant	136,213	127,681
Municipal disaster relief grant	-	1,980
Sport and recreation grant - National Lottery	700,000	700,000
Regional bulk infrastructure grant	317,000	15,470,329
Water services infrastructure grant	-	291,038
	1,740,904	16,824,339

Movement during the year

Balance at the beginning of the year	16,824,339	-
Additions during the year	368,474,150	313,498,582
Income recognition during the year	(383,557,585)	(296,674,243)
	1,740,904	16,824,339

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 24 for reconciliation of grants from National/Provincial Government.

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



Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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18. Landfill site provision

Reconciliation of landfill site provision - 2021

	Opening Balance	Finance Costs	Total
Landfill site	59,518,621	13,911,445	73,430,066

Reconciliation of landfill site provision - 2020

	Opening Balance	Finance Costs	Total
Landfill site	61,610,395	(2,091,774)	59,518,621

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation, in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Ermelo, Breyten, Davel, Lothair and Chrissiesmeer to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2021 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on a bond rate that matures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to be over a period of 18 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

Key assumptions used:

Total area expected to be rehabilitated: 179 596 square metres

Average rate per square metre: R408 (excl. VAT)

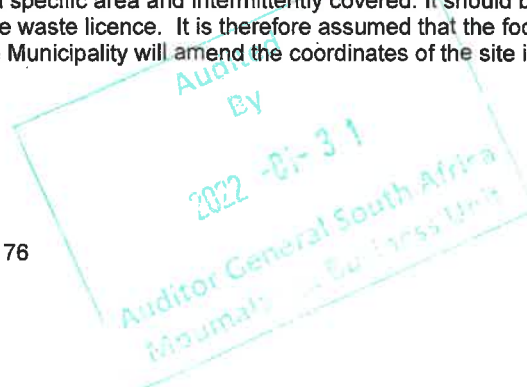
The area to be rehabilitated can be reconciled to the different sites as follows:

Ermelo	: 109 370 square metres
Breyten	: 38 041 square metres
Davel	: 8 051 square metres
Lothair	: 20 081 square metres
Chrissiesmeer	: 4 053 square metres

Each of the landfill sites has adequate footprint and airspace available for the disposal of solid waste until at least 2024, except for Lothair.

Lothair:

The Lothair landfill site has ceased to operate. Closure works have not yet commenced despite there being a limit of 3 years for this activity to commence. Based on historical evidence, the Lothair landfill operated as communal dump (as opposed to a sanitary landfill). Waste disposal was generally contained to a specific area and intermittently covered. It should be noted that the site has not been developed within the area specified in the waste licence. It is therefore assumed that the footprint of the waste pile is as per evidence in historical imagery and that the Municipality will amend the coordinates of the site in the closure licence.



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Figures in Rand	2021	2020
19. Service charges		
Sale of electricity	214,175,856	220,610,832
Sale of water	73,573,499	70,616,828
Sewerage and sanitation charges	46,956,651	39,906,051
Refuse removal	38,971,162	32,382,650
	373,677,168	363,516,361
20. Rental of facilities and equipment		
Premises		
Premises	1,947,695	1,979,288
Facilities and equipment		
Rental of equipment	553,389	913,121
	2,501,084	2,892,409
21. Other income		
Advertising	229,424	217,070
Cemetery and burial	815,878	533,218
Commission	291,245	85,518
Connection fees	3,164,637	4,573,711
Fire brigade services	812,708	2,295,025
Insurance claim	453,860	-
Licenses and permits	3,357,946	5,455,646
Photocopies	199,094	240,561
Planning and development	2,143,893	1,638,073
Sundry income	418,126	475,305
Tender fees	297,187	294,104
	12,183,998	15,808,231
22. Interest earned		
Interest earned		
Consumer debtors	41,445,681	35,810,244
Investment revenue	948,898	1,853,437
Land fill site	-	2,091,775
	42,394,579	39,755,456

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Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Property rates		
Rates levied		
Residential	46,713,770	39,235,860
Commercial	44,328,275	43,147,678
State	29,176,724	27,241,479
Small holdings and farms	6,785,099	6,281,346
	127,003,868	115,906,363
Valuations		
Residential	6,918,180,000	6,918,180,000
State	1,076,184,000	1,076,184,000
Municipal	201,171,000	201,171,000
Agriculture	4,291,845,000	4,291,845,000
Business	1,278,157,000	1,278,157,000
Public service infrastructure	29,464,000	29,464,000
	13,795,001,000	13,795,001,000

Valuations on land and buildings are performed every 4 to 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of - (2020: 0.9135) is applied to property valuations to determine assessment rates. Rebates of 15% (2020: 15%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 June 2020 (30 June 2019). Interest at prime plus 0.833% per annum (2020: 0.833%) and a collection fee of 0.833% (2020: 0.833%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2021.

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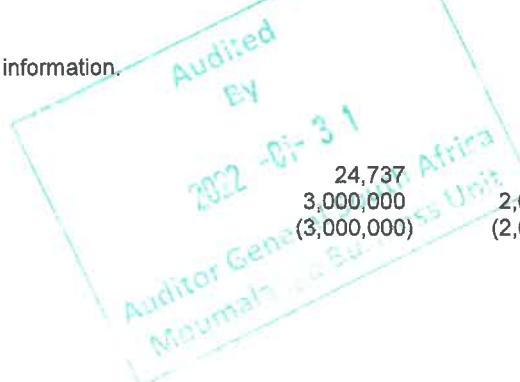
Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Government grants and subsidies		
Operating grants		
Equitable share	219,070,328	172,093,640
Expanded public works programme grant	2,062,310	2,879,000
Financial management grant	3,000,000	2,655,264
GSDM contribution - Covid 19	-	400,000
Local government sector education and training authority grant	166,918	161,260
Municipal disaster relief fund grant	-	445,020
Sport and recreation grant - National Lottery	-	-
	224,299,556	178,634,184
Capital grants		
Integrated national electrification programme	-	9,791,426
Municipal infrastructure grant	49,104,700	50,370,423
Municipal infrastructure grant - PMU	2,618,300	2,339,577
Regional bulk infrastructure grant	90,153,329	829,671
Water services infrastructure grant	20,000,000	54,708,962
	161,876,329	118,040,059
	386,175,885	296,674,243
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	167,105,557	124,580,603
Unconditional grants received	219,070,328	172,093,640
	386,175,885	296,674,243
Equitable share		
Current-year receipts	218,544,000	176,563,282
Conditions met - transferred to revenue	(219,070,328)	(172,093,641)
Roll over not approved - MIG	-	(1,518,438)
Rollover not approved - FMG	24,736	-
Rollover not approved - Municipal Disaster Relief Grant	1,980	-
Roll over not approved - INEP	208,574	(2,951,203)
Rollover not approved - WSIG	291,038	-
	-	-
Expanded Public Works Programme		
Current-year receipts	2,650,000	2,879,000
Conditions met - transferred to revenue	(2,062,310)	(2,879,000)
	587,690	-
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
Financial Management Grant		
Balance unspent at beginning of year	24,737	-
Equitable share allocated	3,000,000	2,680,000
Conditions met - transferred to revenue	(3,000,000)	(2,655,263)



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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Government grants and subsidies (continued)		
Withheld from Equitable Share	(24,737)	-
	<u>-</u>	<u>24,737</u>

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

Provide explanations of conditions still to be met and other relevant information.



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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

Local Government Sector Education and Training Authority grant

Balance unspent at beginning of year	127,681	-
Current-year receipts	175,450	161,260
Conditions met - transferred to revenue	(166,918)	(161,260)
2020/21 contribution received in advance	-	127,681
	136,213	127,681

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

The first allocation for 2021 was received in 2020..

Sport and recreation grant - National Lottery

Balance unspent at beginning of year	700,000	700,000
--------------------------------------	---------	---------

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

Provide explanations of conditions still to be met and other relevant information.

Municipal disaster relief fund grant

Balance unspent at beginning of year	1,980	-
Current-year receipts	-	447,000
Conditions met - transferred to revenue	-	(445,020)
Withheld from Equitable Share	(1,980)	-
	-	1,980

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

Provide explanations of conditions still to be met and other relevant information.

GSDM contribution - Covid 19

Current-year receipts	-	400,000
Conditions met - transferred to revenue	-	(400,000)
	-	-

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

Provide explanations of conditions still to be met and other relevant information.

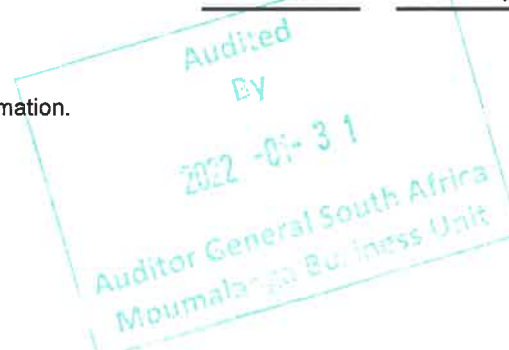
Integrated National Electrification Programme

Balance unspent at beginning of year	208,574	2,951,203
Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	-	(9,791,426)
Withheld from Equitable Share	(208,574)	(2,951,203)
	-	208,574

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

Provide explanations of conditions still to be met and other relevant information.

Municipal infrastructure grant



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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	1,518,438
Current-year receipts	49,104,700	50,370,423
Conditions met - transferred to revenue	(49,104,700)	(50,370,423)
Roll over not approved, deducted from Equitable Share	-	(1,518,438)
	<u>-</u>	<u>-</u>

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

Provide explanations of conditions still to be met and other relevant information.

Municipal infrastructure grant - PMU

Current-year receipts	2,618,300	2,339,577
Conditions met - transferred to revenue	(2,618,300)	(2,339,577)
	<u>-</u>	<u>-</u>

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

Provide explanations of conditions still to be met and other relevant information.

Regional bulk infrastructure grant

Balance unspent at beginning of year	15,470,329	-
Current-year receipts	75,000,000	16,300,000
Conditions met - transferred to revenue	(90,153,329)	(829,671)
	<u>317,000</u>	<u>15,470,329</u>

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

Provide explanations of conditions still to be met and other relevant information.

Water services infrastructure grant

Balance unspent at beginning of year	291,038	-
Current-year receipts	20,000,000	55,000,000
Conditions met - transferred to revenue	(20,000,000)	(54,708,962)
Roll forward not approved - withheld from Equitable Share	(291,038)	-
	<u>-</u>	<u>291,038</u>

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

Provide explanations of conditions still to be met and other relevant information.

25. Fines

Fire, library and other	1,724	4,600
Rezoning	202,060	259,612
Traffic	5,767,106	5,486,847
	<u>5,970,890</u>	<u>5,751,059</u>

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
26. Donations received		
Gert Sibande District Municipality	1,480,000	2,289,740
Private Companies	10,000,722	395,305
Department of culture, sport and recreation	-	8,997
	11,480,722	2,694,042



Msukaligwa Local Municipality

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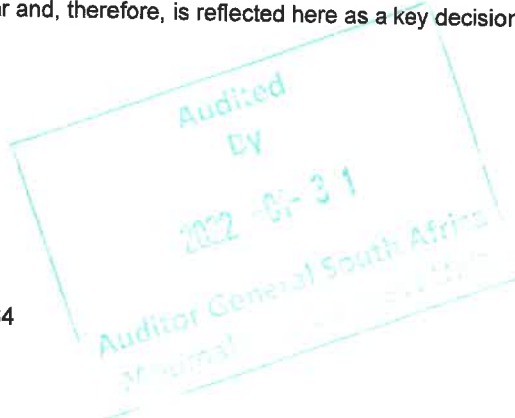
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

	2021	2020
27. Employee related costs		
Acting allowances		
Basic	1,598,425	1,632,350
Bonus	127,599,668	120,992,557
Car allowance	10,494,136	9,960,487
Cell and data allowances	11,392,253	9,588,934
COVID levy	78,200	92,955
Group Insurance	1,091,401	998,171
Housing benefits and allowances	2,268,083	2,137,963
Leave expense	1,308,787	1,337,789
Long service awards	2,152,737	3,752,566
Medical aid company contributions	1,053,000	980,977
Other payroll levies	12,169,376	11,546,185
Overtime payment	69,650	65,939
Pension Fund	25,421,447	24,618,853
Post retirement medical aid	25,259,463	23,975,108
SDL	2,131,529	2,078,223
Shift and standby allowance	1,712,438	1,579,634
UIF	12,196,702	10,476,309
Ward committees	1,083,632	1,062,186
	2,187,000	2,191,000
	241,267,927	229,068,186
Remuneration of Municipal Manager		
Annual Remuneration		
Car Allowance	943,293	1,169,343
Contributions to UIF, Medical and Pension Funds	60,000	96,000
	165,996	212,266
	1,169,289	1,477,609
Remuneration of Chief Finance Officer		
Annual Remuneration		
Car Allowance	692,220	930,000
Contributions to UIF, Medical and Pension Funds	54,000	72,000
Acting allowance	186,636	244,431
	-	2,546
	932,856	1,248,977
Remuneration of the Acting Chief Finance Officer		
Annual Remuneration		
Car Allowance	598,449	-
Contributions to UIF, Group Risk, Medical and Pension Funds	133,292	-
Acting Allowance	135,107	-
	185,886	-
	1,052,734	-

Mr SM Phiri was acting in the role for the full 2021 financial year and, therefore, is reflected here as a key decision maker in this year.



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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
27. Employee related costs (continued)		
Remuneration of the Director - Corporate Services		
Annual Remuneration	800,223	803,637
Car Allowance	180,000	180,000
Phone Allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	203,790	200,348
Acting Allowance	27,102	-
	1,229,115	1,183,985
Remuneration of the Director - Community and Social Services / Acting Municipal Manager		
Annual Remuneration	742,922	32,193
Car Allowance	96,000	8,000
Phone allowance	23,388	-
Contributions to UIF, Medical and Pension Funds	135,539	11,293
Acting Allowance	187,962	-
	1,185,811	51,486
Mr SI Malaza was acting in the role of Municipal Manager/Accounting Officer for the second half of the 2021 year.		
Remuneration of the Director - Technical Services		
Annual Remuneration	913,470	456,735
Car Allowance	180,000	90,000
Phone allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	166,238	83,596
	1,277,708	630,331
Remuneration of the Director - Planning and Development		
Annual Remuneration	833,696	834,580
Car Allowance	108,309	96,000
Phone allowance	7,935	-
Contributions to UIF, Medical and Pension Funds	180,253	177,772
Acting allowance	1,710	-
	1,131,903	1,108,352
Employee related costs	241,267,927	229,068,186
Key management	7,979,416	5,700,740
	249,247,343	234,768,926
28. Remuneration of councillors		
Executive Major	938,251	938,250
Speaker	759,478	759,478
Chief Whip	714,787	714,787
Mayoral Committee Members	2,859,147	2,859,148
Councillors	10,786,547	10,669,450
	16,058,210	15,941,113

Additional information

The details for individual councillors are set out in the related parties note 43.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
29. Repairs and Maintenance		
Plant, Machinery and Equipment	4,684,893	4,170,906
Motor Vehicles	2,767,151	3,347,085
IT Equipment	-	4,509
Buildings	897,012	2,544,127
Electrical	9,534,569	14,556,117
Roads	3,945,602	4,082,704
Sanitation	743,726	1,197,431
Water Supply	3,902,057	11,880,910
	26,475,010	41,783,789
30. Depreciation		
Property, plant and equipment	125,858,116	126,356,034
31. Finance costs		
Trade and other payables	83,311,530	25,144,964
Finance leases	183,559	34,054
Land fill site	13,911,445	-
Employee benefits	5,965,000	5,746,394
	103,371,534	30,925,412
32. Debt impairment		
Consumer debtors	45,231,109	68,184,301
Traffic fines	4,643,403	5,017,736
	49,874,512	73,202,037
33. Bulk purchases		
Electricity	264,680,025	249,020,356
Water	71,233,397	45,265,046
	335,913,422	294,285,402
34. Contracted services		
Outsourced Services		
Accounting services	4,014,978	6,177,231
Debt Collectors	4,428,325	5,383,899
Electrical	4,731,626	4,075,343
Hygiene Services	47,090	-
Land Fill Sites	2,647,000	2,148,110
Maintenance of equipment	62,629	40,538
Prepaid electricity - Commission	3,544,525	5,409,831
Professional Staff	385,235	-
Security services	21,229,019	23,660,704
Consultants and Professional Services		
Infrastructure and Planning	2,731,683	4,221,131
Legal Cost	9,218,505	6,975,811
	53,040,615	58,092,598

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. General expenses		
Advertising	196,423	833,898
Auditors remuneration	7,555,727	5,368,939
Bank charges	2,049,535	2,560,512
Cleaning	6,890,264	674,458
Communication and stationery	5,033,729	3,588,117
Community support	9,200	116,739
Consulting and professional fees	4,968,201	5,279,870
Conferences and seminars	134,237	467,405
Fuel and oil	6,044,876	7,873,212
Hire	518,000	1,071,796
Insurance	4,436,879	3,618,464
Internal Billing	64,776	663,494
IT expenses	3,414,212	3,107,261
Materials - Covid-19	178,771	371,925
Protective clothing	1,355,392	1,231,485
Software expenses	3,047,857	353,862
Staff welfare	1,110,581	1,234,386
Subscriptions and membership fees	2,398,163	2,459,202
Training	187,566	110,033
Travel - local	2,876,588	6,815,360
	52,470,977	47,800,418
36. Fair value adjustments		
Investment property (Fair value model)	-	840,951



Msukaligwa Local Municipality

(Registration number MP302)

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Figures in Rand	2021	2020
37. Impairment of assets		
Impairments		
Property, plant and equipment	<u>11,189,463</u>	<u>4,531,203</u>



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(Registration number MP302)

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37. Impairment of assets (continued)

Impairments

Total: R11 189 463

During the financial year, the municipality impaired various assets within Property, Plant and Equipment. This followed a process of physical verification and conditioning grading, which prompted the municipality to review the remaining useful life of the assets.

These impairments are aligned with the Impairment Methodology adopted by the municipality and contained in its Asset Management Policy. The Asset Management Policy is aligned with the municipality's Accounting Policy and complies with GRAP 21 and 26.

Infrastructure Assets

Community: R1 545 488

The condition of various open spaces, sport and recreation facilities and cemeteries deteriorated during the past financial year which prompted the municipality to impair these assets.

Electrical: R3 116 214

The condition of high and medium voltage assets deteriorated to such an extent that the municipality impaired these assets.

Roads and Storm Water: R2 926 507

The condition of various road surfaces, road structures and storm water drainage structures deteriorated to such an extent that the municipality impaired these assets.

Sanitation: R844 442

The condition of certain wastewater treatment areas sewerage pump stations deteriorated to such an extent that the municipality impaired these assets.

Water Supply: R2 329 379

The condition of various boreholes around the municipality deteriorated to such an extent that the municipality impaired these assets.

Solid Waste: R12 332

The condition of certain steel skip bins deteriorated to such an extent that the municipality impaired them.

Movable Assets

Computer Equipment R17 456

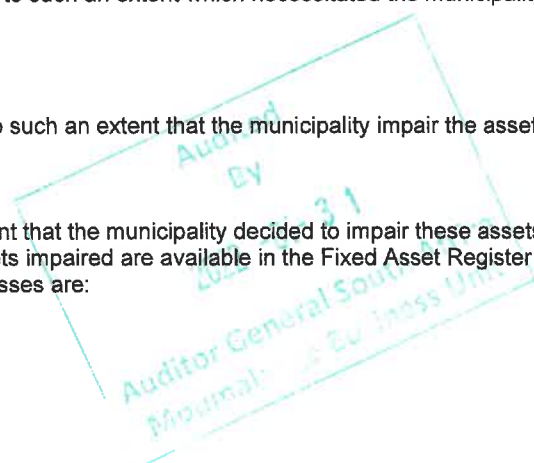
The condition of certain desktop computers and monitors deteriorated to such an extent which necessitated the municipality to impair the assets.

Furniture, Fixtures and Fittings R16 232

The condition of various office chairs, desks and tables deteriorated to such an extent that the municipality impair the assets.

Motor Vehicles R381 413

The condition of five vehicles and trailers deteriorated to such an extent that the municipality decided to impair these assets. Detailed descriptions, components types and photographs of the assets impaired are available in the Fixed Asset Register of the municipality. The main classes of assets affected by impairment losses are:



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Figures in Rand	2021	2020
38. Cash generated from operations		
Deficit	(64,414,770)	(76,348,177)
Adjustments for:		
Depreciation and amortisation	125,858,116	125,006,522
Gain on sale of assets and liabilities	7,346,670	11,327,569
Fair value adjustments	-	(819,502)
Finance costs - Finance leases	183,559	34,054
Impairment deficit	11,189,463	4,542,627
Debt impairment	49,874,512	73,202,037
Movements in retirement benefit assets and liabilities	9,614,000	(2,145,971)
Movements in provisions	13,911,445	(2,091,774)
Assets received as donations	-	(2,675,968)
Prior Period Adjustment	-	(49,883,782)
Donations (assets)	(11,480,722)	-
Changes in working capital:		
Inventories	(8,846,205)	(7,457,122)
Receivables from exchange transactions	(95,371,558)	(4,931,218)
Consumer debtors	-	(73,202,037)
Receivables from non-exchange transactions	(15,079,427)	528,044
Payables from exchange transactions	142,429,615	140,751,059
VAT	4,402,094	(44,306,419)
Unspent conditional grants and receipts	(15,083,435)	11,527,017
Consumer deposits	1,159,414	813,433
	155,692,771	103,870,392

39. Risk management

Financial risk management

The municipality's is expose to a variety of financial risks: market risk, fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk, but the exposure is limited to the the municipality's management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. For the year under review the municipality did not have a fully functional internal audit committee.



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(Registration number MP302)

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39. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	1,573,437,721	-	-	-
• Finance lease obligation	1,462,908	1,219,090	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	1,431,008,101	-	-	-
• Finance lease obligation	1,279,349	1,462,908	1,219,090	-

Credit risk

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified. Credit risk consists mainly of cash deposits, cash equivalents. The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk. Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. There were material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, and is not concentrated in any particular sector or geographical area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

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

Financial instrument	2021	2020
Receivables from exchange transactions	132,017,098	83,922,928
Receivables from non-exchange transactions	41,729,516	29,247,213
Bank balances and cash	7,861,421	22,025,012

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39. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality. The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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

40. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost
Trade and other receivables from exchange transactions	132,017,098
Trade and other receivables from non-exchange transactions	41,729,516
Cash and cash equivalents	7,861,421
	7,861,421

Financial liabilities

	At amortised cost
Trade and other payables from exchange transactions	1,573,116,119
Consumer deposits	(18,092,991)
Employee benefit obligation	(72,227,000)
Unspent conditional grants and receipts	(1,740,904)
Finance lease obligation	(2,517,437)
	(1,667,694,451)

2020

Financial assets

	At amortised cost
Trade and other receivables from exchange transactions	83,922,928
Trade and other receivables from non-exchange transactions	29,247,213
Cash and cash equivalents	22,025,012
	135,195,153

Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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40. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost
Trade and other payables from exchange transactions	1,431,008,101
Consumer deposits	(16,933,577)
Employee benefit obligation	(62,613,000)
Unconditional grants and receipts	(16,933,577)
Finance lease obligation	(3,796,786)
	<u>(1,531,285,041)</u>



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Figures in Rand	2021	2020
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Electrical	139,826	-
• Roads	2,083,555	10,496,967
• Sanitation	28,798,592	25,791,883
• Community	2,619,178	2,473,385
• Water supply	6,261,280	9,126,646
	39,902,431	47,888,881
Authorised operational expenditure		
Already contracted for but not provided for		
• Consulting and Professional Fees	3,304,535	2,008,932
• Security (Guarding of municipal property)	7,646,258	20,496,414
• Supply and delivery	23,167,850	29,441,723
• Repairs and maintenance	1,366,090	7,686,757
	35,484,733	59,633,826
Total commitments		
Total commitments		
Authorised capital expenditure	39,902,431	47,888,881
Authorised operational expenditure	35,484,732	59,633,826
	75,387,163	107,522,707

This committed expenditure relates to plant and equipment and will be financed by available National grants, bank facilities, retained surpluses, existing cash resources, funds internally generated.

All amounts are disclosed exclusive of VAT.

Audited
By
2022-01-31
Auditor General South Africa
Approved by the Auditor General

Msukaligwa Local Municipality

(Registration number MP302)
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2021 2020

42. Contingencies

Contingent liabilities

Issue under consideration

This issue involves land that was earmarked for business and churches but was later disposed of or allocated in a manner which was not in line with the development and the agreement reached in 1995. NEWCHO as the developer is intending to sue the Municipality for damages. The Municipality was served with summons in 2015.

Potential liability
6,483,579

Status

Summons were issued Notice of intention to defend was filed Plea was filed Discovery has been done The matter is at the pre-trial stage The attorneys of NEWCHO have submitted a settlement proposal which has been discussed and the amount was reduced to R 1 Million as per the letter dated 02 July 2020. Then on the 21 of July 2020 the Municipality has further proposed the settlement of R 500 000 and we are still awaiting the response thereto.

Attorney

TMN Kgomo and Associates

An Employee of the Municipality was electrocuted while on duty on the 27th of May 2011. He is claiming damages alleging that he was injured as a result of the sole negligence of the Municipality.

1,220,500

Summons were issued

TMN Kgomo and Associates

Action was taken by SAMWU on behalf of Hlophe and others against the municipality for losses due to unlawful variation of the terms of the employment in 2011. The municipality is opposing the claims and pleadings are currently still exchanged, the matter has not been set down for a trial date.

800,000

This matter is still pending in the labour Court. However an information was supplied to our attorneys that we were paying the employees 1.5 prior to 2011 and from 2013. Then further information will be provided on the amount outstanding for that period. A meeting has been held on the 13th of November 2014 with a view to have an amicable solution on this matter. As the Municipality we need to do a calculation. A detailed report will be presented to Council on this matter.

Sefalafala Attorneys



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42. Contingencies (continued)

The Plaintiff is suing the Municipality together with the Minister of Police for pain and suffering as a result of injuries sustained when he was detained in custody as a result of the case of theft of the machine of the Municipality.

This matter comes from the procurement processes on debt collection wherein the Plaintiff submitted a tender for that service. The Plaintiff realised that they were appointed after seeing their name on the website as part of those who were awarded the tender. They are suing the Municipality for future loss of income.

This matter is alleged breach of contract by Altimax in that the Municipality is failing or has failed to pay outstanding payment for services rendered in 2015.

A vehicle belonging to the resident was involved in the accident as a result of the negligence of the Municipality not to mark the area where it was working with the red tape in 2014.

The employees of the Municipality went on a protest which turned violent and there was damage to property of the Municipality in 2013. As result there were employees who were arrested for that. Some of the employees were withdrawn from the case and others were acquitted. Then one of the employees is suing the Municipality for unlawful arrest.

Children were playing in Thusville and one of them was electrocuted by an electricity line in 2015 and he suffered damages in the form of the pain and suffering and future loss of income.

A resident's motor vehicle was involved in an accident in 2014 and as a result the resident suffered damages.

The Municipality was served with summons from the Department of Water and Sanitation suing the Municipality for the payment of R 184 124 516.50 for the outstanding amount in the supply of bulk water since 2002.

The Municipality is sued for negligence as a result of not maintaining the electricity infrastructure which resulted in the damage of properties of the residents when the electricity was switched on in 2010.

6,000,000	Summons were issued	Mhlongo Khumalo Attorneys
50,000,000	The notice of intention to defend has already been filed and the matter is pending in the High Court.	Julie Mohammed Attorneys
2,739,639	Summons were issued	TMN Kgomo and Associates
162,385	Summons were issued	TMN Kgomo and Associates
65,000	Summons were issued and the matter is defended	TMN Kgomo and Associates
25,000,000	Summons were issued	Mohlala Attorneys
600,000	Summons were issued	Mohlala Attorneys
184,124,517	Summons were issued	TMN Kgomo and Associates
311,467	Summons were issued	TMN Kgomo and Associates

Audited
By
2022-06-31
Auditor General South Africa
Financial Services Unit

Msukaligwa Local Municipality

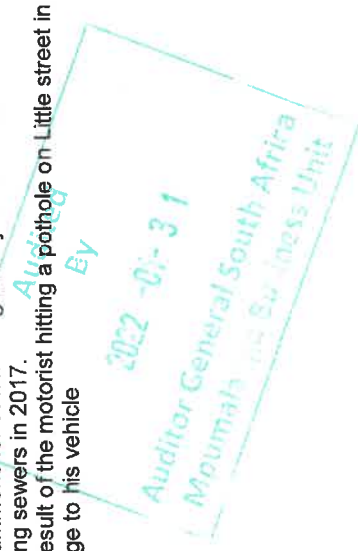
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			2021	2020
42. Contingencies (continued)				
The Municipality is sued for the damage caused on the Telkom lines when the employees were fixing the damages water pipes.				Mohlala Attorneys
The Plaintiff is suing the Municipality for the damages caused on his vehicle as a result of hitting the pothole on a Municipal road.				None
		Summons were issued	230,423	
		Summons were issued against the Municipality and the matter was referred to our insurance which repudiated the claim because it was lodged very late. The matter is defended in person because the claimed amount is low versus the legal costs	10,560	
Damages to vehicle to due to potholes in the road.		Summons were issued	83,800	Mhlongo Khumalo Attorneys
The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.		Summons were issued	8,778,153	Mhlongo Khumalo Attorneys
The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.		Notice of intention to defend was filed	4,539,707	Mhlongo Khumalo Attorneys
The Municipality received notice of intention to institute legal proceedings and Summons from Umpiluzi Fire for outstanding money for services rendered		The Municipality has filed the notice of intention to defend and the answering affidavit.	731,485	None yet appointed
		The matter was on the roll on the 12th of November 2020 and it was postponed indefinitely in order to cluster this matter with other similar matters involving other Municipalities in the country.		
The Municipality is sued as result of the motorist hitting a pothole on Little street in Ermelo which resulted in the damage to his vehicle		Summons were issued	18,941	None yet appointed
The Municipality was served with summons for outstanding money for services rendered by the service provider on unblocking sewers in 2017.		Summons were issued	120,000	None yet appointed
The Municipality is being sued as result of the motorist hitting a pothole on Little street in Ermelo which resulted in the damage to his vehicle		Summons were issued and the matter is being defended	26,400	None yet appointed
			292,046,556	

Contingent assets



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42. Contingencies (continued)		
Issue under consideration	Potential Asset	Star
The service providers are considered to have performed substandard work in the construction of a water reservoir which resulted in the reservoir bursting. At that stage the service providers had already been paid a certain sum of money for the job. The Municipality is claiming back the money already paid to the service providers (consultants and the contractor).	5,687,831	Summons were issued to the Municipality.
	5,687,831	



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43. Related parties

Members of key management (officials)

Municipal Manager & Accounting Officer - Deceased 06 February 2021 Ms. GJ Majola

Acting Municipal Manager & Accounting Officer - Appointed 26 February 2021 Mr. MI Malaza

Chief Financial Officer - Resigned 31 March 2021

Acting CFO - From 1 June 2020

Director - Corporate Services

Director - Community and Social Services

Director - Planning and Economic Development

Director - Technical Services

Executive Mayor

Speaker

Chief Whip

MMC - Corporate Services

MMC - Finance

MMC - Technical Services

MMC - Community and Social Services

MMC - Planning & Economic Development

Councillors

Ms. MM Matsheka
Mr. SM Phiri
Mr. PS Mabuza
Mr. SI Malaza
Mr. D Maake
Mr. FR Ntekele
Cllr. BJ Mkhali
Cllr. MP Nkosi
Cllr. PE Mashiane
Cllr. JA Bal
Cllr. BJ Mkhali
Cllr. EC Msezane
Cllr. TA Mnisi
Cllr. JS Bongwe
Cllr. TC Motha
Cllr. Z Breydenbach
Cllr. GS Greyling
Cllr. BI Jiyane
Cllr. FJ Mabasa
Cllr. BI Mabuza
Cllr. ME Madonsela
Cllr. LS Mahlangu
Cllr. LA Maseko
Cllr. MZM Mashiane
Cllr. VV Mazibuko
Cllr. LD Mndebele
Cllr. TJ Madlala
Cllr. PF Molyi
Cllr. BNN Ndlovu
Cllr. DM Nkambule
Cllr. T Nkosi
Cllr. ZJ Nkosi
Cllr. JJ Nzimande
Cllr. PT Sibeko
Cllr. BJM Sithole
Cllr. HF Swart
Cllr. DJ Litau
Cllr. MR Yende
Cllr. ZK Dhludhlu
Cllr. JDA Bignaut
Cllr. MJ Blose
Cllr. LNV Kubheka
Cllr. D Mabunda
Cllr. NH Magagula
Cllr. M Sibeko



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43. Related parties (continued)

Remuneration of management

Management class: Mayoral Committee Members

2021

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical Aid and Pension Fund	Cell Phone Allowance	Total
BJ Mkhalihi (Executive Mayor)	582,946	223,463	87,442	44,400	938,251
MP Nkosi (Speaker)	466,355	178,770	69,953	44,400	759,478
PE Mashiane (Chief Whip)	437,209	167,597	65,581	44,400	714,787
JA Bal	437,209	167,597	65,581	44,400	714,787
EC Msezane	437,209	167,597	65,581	44,400	714,787
TA Mnisi	413,146	167,597	89,644	44,400	714,787
JS Bongwe,	437,209	167,597	65,581	44,400	714,787
	3,211,283	1,240,218	509,363	310,800	5,271,664

2020

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical Aid and Pension Fund	Cell Phone Allowance	Total
BJ Mkhalihi (Executive Mayor)	582,952	223,463	87,435	44,400	938,250
MP Nkosi (Speaker)	466,355	178,770	69,953	44,400	759,478
PE Mashiane (Chief Whip)	437,209	167,597	65,581	44,400	714,787
JA Bal	437,209	167,597	65,581	44,400	714,787
EC Msezane	437,209	167,597	65,581	44,400	714,787
TA Mnisi	413,993	167,597	88,797	44,400	714,787
JS Bongwe	437,209	167,597	65,581	44,400	714,787
	3,212,136	1,240,218	508,509	310,800	5,271,663



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43. Related parties (continued)

Management class: Councillors

2021

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical Aid and Pension Fund	Cell Phone Allowance	Total
TC Motha	236,750	90,754	35,513	44,400	407,417
Z Breydenbach	184,480	70,718	27,672	44,400	327,270
GS Greyling	184,480	70,718	27,672	44,400	327,270
BI Jiyane	184,480	70,718	27,672	44,400	327,270
FJ Mabasa	184,480	70,718	27,672	44,400	327,270
BI Mabuza	184,480	70,718	27,672	44,400	327,270
ME Madonsela	185,494	90,754	86,769	44,400	407,417
LS Mahlangu	184,480	70,718	27,672	44,400	327,270
LA Maseko	184,480	70,718	27,672	44,400	327,270
MZM Mashiane	184,480	70,718	27,672	44,400	327,270
VV Mazibuko	184,480	70,718	27,672	44,400	327,270
LD Mdebele	236,750	90,754	35,513	44,400	407,417
TJ Madlala	236,750	90,754	35,513	44,400	407,417
PF Moloyi	184,480	70,718	27,672	44,400	327,270
BNN Ndlovu	145,087	70,718	67,065	44,400	327,270
DM Nkambule	184,480	70,718	27,672	44,400	327,270
T Nkosi	184,480	70,718	27,672	44,400	327,270
ZJ Nkosi	236,750	90,754	35,513	44,400	407,417
JJ Nzimande	184,480	70,718	27,672	44,400	327,270
PT Sibeko	236,750	90,754	35,513	44,400	407,417
BJM Sithole	184,480	70,718	27,672	44,400	327,270
HF Swart	184,480	70,718	27,672	44,400	327,270
DJ Litau	166,186	90,754	106,077	44,400	407,417
MR Yende	184,480	70,718	27,672	44,400	327,270
ZK Dhludhlu	184,480	70,718	27,672	44,400	327,270
JDA Blignaut	120,091	70,718	92,062	44,400	327,271
MJ Blose	184,480	70,718	27,672	44,400	327,270
LVN Kubheka	184,480	70,718	27,672	44,400	327,270
D Mabunda	184,480	70,718	27,672	44,400	327,270
NH Magagula	236,750	90,754	35,513	44,400	407,417
M Sibeko	184,480	70,718	27,672	44,400	327,270
	5,911,438	2,352,546	1,146,163	1,376,400	10,786,547



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43. Related parties (continued)

2020

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical Aid and Pension Fund	Cell Phone Allowance	Total
TC Motha	236,750	90,754	35,513	44,400	407,417
Z Breydenbach	184,480	70,718	27,672	44,400	327,270
GS Greyling	184,480	70,718	27,672	44,400	327,270
BI Jiyane	184,480	70,718	27,672	44,400	327,270
FJ Mabasa	184,480	70,718	27,672	44,400	327,270
BI Mabuza	184,480	70,718	27,672	44,400	327,270
ME Madonsela	136,381	70,726	75,763	44,400	327,270
LS Mahlangu	184,480	70,718	27,672	44,400	327,270
LA Maseko	184,480	70,718	27,672	44,400	327,270
MZM Mashiane	184,480	70,718	27,672	44,400	327,270
VV Mazibuko	184,480	70,718	27,672	44,400	327,270
LD Mndebele	236,750	90,754	35,513	44,400	407,417
TJ Madlala	236,750	90,754	35,513	44,400	407,417
PF Moyo	184,480	70,718	27,672	44,400	327,270
BNN Ndlovu	146,358	70,718	65,794	44,400	327,270
DM Nkambule	184,480	70,718	27,672	44,400	327,270
T Nkosi	184,480	70,718	27,672	44,400	327,270
ZJ Nkosi	236,750	90,754	35,513	44,400	407,417
JJ Nzimande	184,480	70,718	27,672	44,400	327,270
PT Sibeko	236,750	90,754	35,513	44,400	407,417
BJM Sithole	184,480	70,718	27,672	44,400	327,270
HF Swart	184,480	70,718	27,672	44,400	327,270
DJ Litau	200,144	90,754	72,119	44,400	407,417
MR Yende	184,480	70,718	27,672	44,400	327,270
ZK Dhludhlu	184,480	70,718	27,672	44,400	327,270
JDA Blignaut	124,523	70,718	87,630	44,400	327,271
MJ Blose	184,480	70,718	27,672	44,400	327,270
LNK Kubheka	184,480	70,718	27,672	44,400	327,270
D Mabunda	184,480	70,718	27,672	44,400	327,270
NH Magagula	236,750	90,754	35,513	44,400	407,417
M Sibeko	163,652	62,733	24,548	39,387	290,320
	5,881,158	2,324,533	1,092,372	1,371,387	10,669,450

Refer to note Remuneration of councillors 28.



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43. Related parties (continued)

Management class: Key management (officials)

2021

Name	Annual Remuneration	Car Allowance	Telephone Allowance	Contributions to UIF, Medical Aid and Pension	Acting Allowance	Total
GJ Majola - Municipal Manager	943,293	60,000	-	165,996	-	1,169,289
MM Matsheka - Chief Financial Officer	692,220	54,000	-	186,636	-	932,856
SM Phiri - Acting-Chief Financial Officer	598,449	133,292	-	135,107	185,886	1,052,734
PS Mabuza - Director Corporate Services	800,223	180,000	18,000	203,790	27,102	1,229,115
SI Malaza - Director Community and Social Services / Acting Municipal Manager	742,922	108,368	23,388	135,539	187,962	1,198,179
D Maake - Director Planning and Development	833,696	96,000	7,935	180,253	1,710	1,119,594
FR Ntekele - Director Technical Services	913,470	180,000	18,000	166,238	-	1,277,708
	5,524,273	811,660	67,323	1,173,559	402,660	7,979,475

2020

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical Aid and Pension	Acting Allowance	Total
GJ Majola - Municipal Manager	1,169,343	96,000	212,266	-	1,477,609
MM Matsheka - Chief Financial Officer	930,000	72,000	244,431	2,546	1,248,977
PS Mabuza - Director Corporate Services	803,637	180,000	200,348	-	1,183,985
SI Malaza - Director Community and Social Services	32,193	8,000	11,293	-	51,486
D Maake - Director Planning and Development	834,580	96,000	177,772	-	1,108,352
FR Ntekele - Director Technical Services	456,735	90,000	83,596	-	630,331
	4,226,488	542,000	929,706	2,546	5,700,740

Refer to note Employee related costs 27.

In 2021, Mr Phiri was acting in the role as indicated for the full year, therefore, he considered to have been a key decision maker and a related party for disclosure purposes.



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44. Going concern

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

During the financial year, the Municipal Manager (Accounting Officer), Ms. G.J. Majola passed away. The roles of Municipal Manager and CFO were still vacant at year end (officials acting in these roles). The municipality also has material contingent liabilities of R292,046,556, which may pose a risk to future operations.

Although, at 30 June 2021, the municipality had an accumulated surplus of R 1,183,380,901 and that the municipality's total assets exceed its liabilities by 1,183,380,901, this is largely due to non-current assets such as Property, plant and equipment, rather than working capital. In terms of current assets and liabilities, the Municipality has net liabilities of R1,150,879,401.

The Municipality reported a deficit of R64,414,700 for the period (2020: deficit 77,471,125).

The ability of the Municipality to continue its operations for the foreseeable future is supported by the following:

Approved budget for the Medium Term Expenditure Revenue Framework ending 2023

Approved Division of Revenue Act with estimated allocation of equitable share and capital the next 3 years

The developed financial recovery plan which is monitored on a monthly basis.

45. Events after the reporting date

No significant events after the reporting date have been identified.

46. Unauthorised expenditure

Opening balance as previously reported	192,880,946	696,788,697
Opening balance as restated	192,880,946	696,788,697
Add: Expenditure identified - current	83,459,000	141,122,133
Prior period adjustments	-	(30,011,012)
Less: Written off by council with regard to 2012/13 and 2013/14	-	(346,484,700)
Less: Written off by council with regard to 2015/16	-	(71,440,311)
Less: Written off by council with regard to 2016/17	-	(137,371,561)
Less: Written off by council with regard to 2017/18	-	(25,000,000)
Closing balance	276,339,946	227,603,246

The municipality is currently investigating the unauthorised expenditure, reports have been served before MPAC which will then be assigned to the Disciplinary Board to perform the investigation.



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47. Fruitless and wasteful expenditure		
Opening balance as previously reported	141,438,243	177,735,507
Correction of prior period error	(52,239,451)	52,239,451
Opening balance as restated	89,198,792	229,974,958
Interest and penalties on arrear amount - Eskom	-	17,249,274
Interest and penalties on arrear amount - Auditor General	-	137,048
Interest and penalties on arrear amount - DCSSL	-	3,451,983
Interest and penalties on arrear amount - PRODIBA	-	310
Interest and penalties on arrear amount - SARS VAT	-	354,889
Interest and penalties on arrear amount - SARS PAYE	-	747,730
Written off by council with regard to 2012/13 and 2013/14	-	(29,707,918)
Written off by council with regard to 2016/17	-	(41,022,917)
Written off by council with regard to 2017/18	-	(39,747,114)
Closing balance	89,198,792	141,438,243

The Municipality is currently investigation the fruitless and wasteful expenditure, reports have served before MPAC which then assigned the Disciplinary board to perform the investigation.

In terms of section 2 of the Government Gazette number 43181, subject to the condition in paragraph 3, municipalities and municipal entities are exempted from a provision of the Act which requires any action to be taken between the date of publication of this notice and the date that the national state of disaster lapses or is terminated in terms of section 27(5) of the Disaster Management Act, 2002. As such, fruitless and wasteful expenditure for 2021 has not been disclosed.

48. Irregular expenditure

Opening balance	254,506,289	631,366,547
Correction of prior period error	114,950,742	21,937,679
Opening balance as restated	369,457,031	653,304,226
Current year expenditure	59,816,979	95,533,282
Less: Amount written off with regard to 2012/13 and 2014/15	-	(164,425,599)
Less: Amount written off with regard to 2014/15	(143,745,250)	-
Less: Amount written off with regard to 2016/17	-	(120,818,985)
Less: Amount written off with regard to 2017/18	-	(94,135,893)
Closing balance	285,528,760	369,457,031

The Municipality is currently investigation the irregular expenditure, reports have served before MPAC which then assigned the Disciplinary board to perform the investigation.



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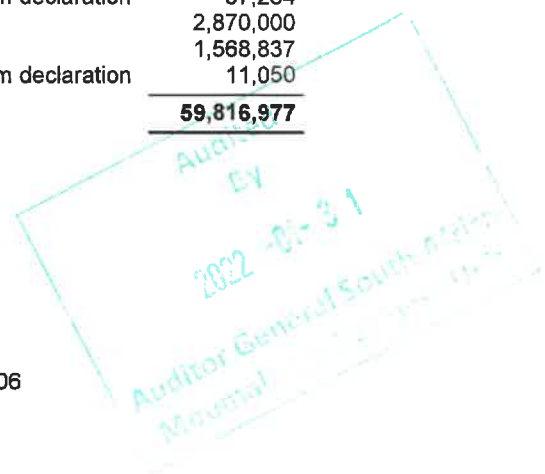
2021

2020

48. Irregular expenditure (continued)

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

Entity	Reason for irregular expenditure	
Afrent	Non-compliance with Reg 32 requirements	1,087,233
B&S Electrical	Failure to obtain three quotations	26,130
Ermsa Electrical Jv Melokuhle Management	A valid CIDB registration with a CRS number is required for both supplier of the JV in order to be able to calculate the joint venture CIDB grading.	8,764,340
The Highvelder (Ctp Limited)	Supplier not registered with CSD/ No 3 quotation	33,007
Highveld Tribune	Supplier not registered with CSD/ No 3 quotation	18,800
Highveld Forest	Month-to-month contract	920
MMN Engineering	Non compliance with Reg 32 requirements	2,012,161
BDO Advisory (Grant Thornton)	Non compliance with Reg 32 requirements	6,780,442
Fast Moving Trading Pty Ltd	Non-compliance on MBD 4 Form declaration	543,950
Iron-Ore	Executed work without purchase order	75,417
MT Mtimandze Projects and Consulting Pty Ltd.	Non compliant with Reg 32 requirements	4,196,009
Mavelakhe Business Trading	Non compliance with PPPFA Evaluation criteria	29,325
Innovation Government Software Solutions	Non compliant with Reg 32 requirements	1,430,000
Sinele Trading	Did not specify preferential point system	302,620
Sabelosethu Trading	Executed work without purchase order	25,000
Umpiluzi Fire Protection	Incorrectly executed as a deviation	1,131,319
Truvelo Manufacturing	Incorrectly executed as a deviation	9,863
Traffic Signals and Accessories	Incorrectly executed as a deviation	272,727
Skhandampilo Trading	Executed work without a purchase order	56,700
Sthuli Empire		27,600
VOC FM Ermelo Community Radio		12,000
Vuxaka	Supplier not registered with CSD	55,017
Happy Sweden Transport and Road	Non compliance on MBD 4 Form declaration	190,126
Highveld Tribune		21,620
Masimene Svumelwane Enterprise	Non compliance on MBD 4 Form declaration	69,000
Mkhensani Trading	Non compliance on MBD 4 Form declaration	1,412,500
Zama Compu World		266,082
Vimtsire Protection and Security Services		22,627,101
Zamangwane Consultants CC		3,832,797
Zilumbile Trading Enterprise	Non compliance on MBD 4 Form declaration	57,284
Zip Zep Trading		2,870,000
Zondle Trading		1,568,837
Zuzokuhle Enterprises	Non compliance on MBD 4 Form declaration	11,050
		59,816,977



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49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	2,484,230	2,140,830
Amount paid - current year	(2,484,230)	(2,140,830)
	-	-
Audit fees		
Opening balance	2,357,725	594,006
Current year fee	6,728,607	6,255,615
Interest on late payments	327	203,289
Amount paid - current year	(6,872,794)	(4,695,185)
	2,213,865	2,357,725
PAYE and UIF		
Current year fee	36,842,764	33,060,714
Amount paid - current year	(33,708,905)	(33,060,714)
	3,133,859	-
Pension and Medical Aid Deductions		
Current year fee	61,541,411	61,214,020
Amount paid - current year	(61,541,411)	(61,214,020)
	-	-
VAT		
VAT receivable	605,389,351	542,820,733
VAT payable	(365,827,148)	(298,856,436)
	239,562,203	243,964,297

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
ZJ Nkosi	7,357	6,698	14,055

No Councillors had arrear accounts outstanding for more than 90 days on 30 June 2020.



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50. 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.

Supplier name	Deviation date	Reason for deviation	Description	Amount
Gilbert Mining	16/07/2020	Emergency	There was a breakdown in Ermelo CBD at Cnr Ennis and De Jager where businesses and residents around the area were effected and without power for more than 24 hours due to a MV Cable fault. Due to lack of materials being available at the stores, Gilbert Mining a local electrical and mining equipment distributor was able to immediately provide the required cable for repairs	25,392
Gilbert Mining	16/07/2020	Emergency	There was a breakdown at Autumn Ridge (Nomndeni) where residents were without power for more than 24 hours due to a MV Cable fault which resulted in a violent protest action.	29,900
Truvelo S.A	19/08/2020	Sole Supplier	Truvelo calibrate the traffic machines for speed that is used by the officers and is the sole supplier	4,785
Mayivuthe Contractors	03/09/2020	Emergency	Following the brutal attack of municipal employees that took place on Monday 17 August 2020 at approximately 18:00 with case no: 129/8 whist attempting to execute a lawful instruction implemented by the department to manage, monitor and reduce the high demand of energy usage. The following areas (Ext 2, 3, 4, 6, 7, and 11, Everest Park , Phumula and Thembisa) were left without power for two nights. Gradually power was restored at approximately 17: 00 on the 19th August 2020 after Eskom load shedding.	39,848
Workshop Electronics	01/09/2020	Sole Supplier	Workshop Electronics is the sole manufacturer and supplier of Milliton devices and can only be calibrated and serviced by them.	26,144
Drager S.A	07/09/2020	Sole Supplier	Drager S.A is the sole supplier dealing with the calibration of traffic machines.	1,875
Darman Technologies	10/09/2020	Sole Supplier	Darman Technologies is the sole supplier who was called in to assist the municipality regarding the traffic signals that was not working.	7,122
The Highvelder	12/10/2020	Impractical	Amend Advert 2020/2021 IDP	1,620
The Highvelder	12/10/2020	Impractical	Advert for EPWP Programme	3,240

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Figures in Rand			2021	2020
50. Deviation from supply chain management regulations (continued)				
The Rescue Tool Guys	30/12/2020	Sole Supplier	During a vehicle accident where two people were critical injured and trapped fire fighters used the hydraulic rescue ram to push the dash/steering system which was pinning the one patient away, during the process the hydraulic rescue ram broke.	45,325
Adapt IT	30/10/2020	Impractical	Caseware Training	57,847
Adapt IT	30/10/2020	Impractical	Caseware annual license fee	78,795
Babcock South Africa	18/11/2020	Sole Supplier	The Volvo Grader DND 134 MP gears did not engage, the gearbox is a sophisticated electronically operated shuttle-shift feature and an integral component that enable the grader's operational functions. Due to the complexity of the fault seeking, the agent namely Babcock SA (agent/manufacture of Volvo earthmoving equipment) are fully equip to quickly find the fault on the gearbox.	20,750
UD Truck	03/11/2020	Sole Supplier	JYS 772 MP hydraulic system got broken and it was taken to the sole supplier to fix the hopper system.	3,408
Hardie Tyres	06/11/2020	Impractical	Supply and Fitment of 1X16.9X28 Dunlop T109 R-1	5,500
Babcock South Africa	30/11/2020	Sole Supplier	On the 27th November 2020 Babcock SA (manufacturer of Volvo) came out on site to do fault-finding on the grader and during the testing and fault finding it was discovered that the gear level control unit and solenoid valve were faulty and needed them to replace it.	46,530
Werner South Africa Pump	03/12/2020	Impractical	High pressure jet machines are used for the cleaning of underground piping system. The machine hose pipe are specially manufactured to resist extreme pressure to force water through sewer pipes to force blockages to open and enable the sewer to flow freely. The hose pipes that were obtained from other supplier were not of sufficient quality to resist the pressure.	62,200
The Highvelder SA Fault Location	04/12/2020	Impractical	Advert of notice of the By-laws	1,368
	08/12/2020	Sole Supplier	The portable low voltage cable fault locator machine for households and low voltage networks was not able to detect minor faults and was not operating to its full capacity and expectation.	89,398
The Highvelder Mayivuthe Contractors	14/12/2020	Impractical	Notice of the consumer incentive for debts	6,638
	15/12/2020	Emergency	Emergency maintenance at the 88kV substation due to a lightning strike on the transformer.	235,696
Shesha Towing Services	12/01/2021	Emergency	Ermelo Correctional Services experienced a power failure on the 18th February, and the 11kv oil type joint kit required for this type of cable 25mm x 3 core PILC is specialised.	4,082
Babcock South Africa	15/02/2021	Sole Supplier	Babcock South Africa is the sole provider for the completion of the repair of transmissions.	34,456
Damage BK	19/01/2021	Sole Supplier	The 11kv substation in Ermelo experienced a power failure on the 17th February 2021 at approximately 22:00 and as result, tripped on the incomers from Eskom. Burlec is a local supplier which has these batteries readily available for immediate delivery.	15,985

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			2021	2020
50. Deviation from supply chain management regulations (continued)				
24 Motors	23/02/2021	Sole Supplier	The Mazda 3 traffic vehicle FHC 629 MP dashboard needed to be removed and in order to replace clutch master cylinder and 24 Motors is the manufacturer of the vehicle and knowledgeable to execute the service of this sophisticated nature.	15,181
NP & TE Trading	05/01/2021	Emergency	On the 19 December 2020, there was an attempted theft at the Ermelo Wastewater Treatment Works, the burglar door and the gate were damaged. Emergency repair for the gate and burglar door was warranted due to it being a high risk to leave Municipality assets unprotected during the December period.	12,680
Barlow World Equipment	13/04/2021	Sole Supplier	The newly bought CAT4262F Tractor Loader Backhoe TLB is under guarantee and needed to be serviced by the agent.	9,452
Gilberts Mining	26/02/2021	Emergency	95mm X 3 CORE XLPE Cable	556,830
Truvello SA	11/03/2021	Impractical	Calibration of speed machine	6,557
Adapt IT	28/06/2021	Impractical	CaseWare Annual Licence Fees	75,514
				1,524,118



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51. Budget differences

Statement of Financial Performance

1.01 - Other income

The budget did not adequately provide for the other income, and this estimate will be revised.

1.02 - Government grants and subsidies

The municipality was better able to utilise grant funding - nearly all amounts received were utilised.

1.03 - Fines, penalties and forfeits

This is a result of increased police presence on major roads. Fine revenue is inherently volatile and difficult to project for budget purposes.

1.04 - Donations

Donations were received from Gert Sibande District Municipality and Msobo Mining. Donations are inherently difficult to budget for as they are determined by the circumstances of donors.

1.05 - Impairment loss/Reversal of impairment

During the annual condition assessment of all municipal assets, there were indicators of impairment. This is inherently difficult to estimate in a budget.

1.06 - Finance Costs

Major creditors such as the Department of Water and Sanitation and Eskom and the Department of Community Safety Security and Liaison have significant balances brought forward from prior years and, due to limited financial resources, these balance cannot be settled in a single year, resulting in finance costs accumulating; these were not adequately factored in to the budget. In addition, finance charges arising from the landfill provision and the employee benefit obligations are difficult to estimate and were not included in the budget.

1.07 - Debt impairment

A number of long outstanding debtors were written off during the year. As a result, the remaining debtors had relatively lower indicators of impairment.

1.08 - Contracted services/General expenses

These savings are attributable to improved budgetary controls through the implementation of the financial recovery plan and active cashflow management.

1.09 - Loss on disposal of assets

The disposals relating to investment property are primarily land disposed of for nominal amounts to the community and, therefore, these are expected to be issued at a loss; the budget did not consider this.

1.10 - Actuarial gains and losses

Actuarial gains and losses are inherently variable and too complex to estimate with certainty, therefore these were not included in the budget.

1.11 - Inventory losses

Inventory losses are extremely difficult to forecast and these were not included in the budget. There were concerns over the controls over and safe guarding of inventory, however, which will be monitored more closely going forward.



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51. Budget differences (continued)

Statement of financial position

2.01 Inventories

The inventories budget was captured as negative in error.

2.02 Consumer debtors

Consumer debtors, budget R77,541,000 relates to Receivables from Exchange and Non-exchange transactions - Actuals (total): R160,338,250. The recovery rate of debtors was lower than provided for in the budget.

2.03 - Vat receivable

VAT was not considered in the budget.

2.04 - Cash and cash equivalents

The budget anticipated higher payments to suppliers, resulting in an overdraft.

2.05 - Investment property

The budget did not consider disposals of properties to the community (see also the losses on disposals of assets below)

2.06 - Property, plant and equipment

Although the budget does make allowance for depreciation expenses, it did not accurately consider accumulated depreciation (statement of financial position). Heritage assets are also included in PPE, but should be disclosed separately - see 2.08 below.

2.07 - Intangible Assets

A server, that was purchased in terms of the Property, plant and equipment budget, came with software, which was considered to be an intangible asset.

2.08 - Heritage assets

These should be separately reflected in the budget.

2.09 - Finance lease obligation

The budget did not provide for the finance lease obligation. No new leases were entered in to, and the actuals reflect the future lease payments disclosed in the prior year financial statements.

2.10 - Trade payables: Exchange transactions

The municipality undertook a massive clean up exercise on water and electricity, and licensing creditors, and rebuild the balances from the supplier statements and historical records. It was found that creditors had been materially understated.

2.11 - Employee benefit obligation

The budget did not provide for the employee benefit obligations.

2.12 - Unspent conditional grants and receipts

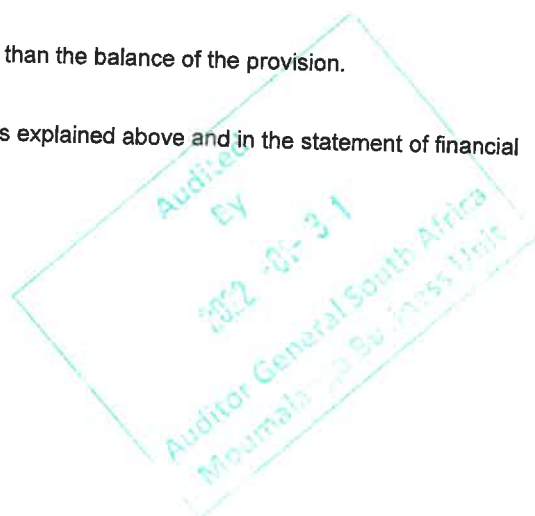
The budget did not provide for any unspent grants at year end.

2.13 - Landfill site provision

The budget provided for possible movement in the provision, rather than the balance of the provision.

2.14 - Accumulated surplus

The difference on accumulated surplus is the total of other variances explained above and in the statement of financial performance variances.



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	2021	2020
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51. Budget differences (continued)

Statement of Cashflows

3.01 - Property rates and Service Revenue

The initial budgets were more accurate and should have been maintained, however, the amount for services includes R14,109,000 relating to other receipts (these are not disclosed separately in the Statement of Cashflows, however consideration will be given to aligning these in future.

3.02 - Services

The budget anticipated higher receipts from debtors than were actually realised.

3.03 - Grants and Other receipts

The budget allocation for grants was incorrectly combined with Other receipts in the adjustments budget. The total for these two would be R371,092,450 + R14,109,000 (as mentioned in 3.01 above) = R385,201,450, which is R16,467,550 below the budget.

3.05 - Interest income

The budget anticipated higher receipts and cash available for investment.

3.05 - Suppliers and employee costs

The budget anticipated higher receipts from service debtors, which would have been utilised to pay more towards expenditure, however, this did not materialise.

3.06 - Proceeds from sale of property, plant and equipment

The proceeds of the sales were higher than anticipated as items were auctioned, and it was difficult to project the proceeds accurately.

3.07 - Purchase of intangible assets

The purchase was incidental to the purchase of property, plant and equipment (a server which came with software), and, therefore, this had not been provided for.

3.08 - Consumer deposits

This figure is not disclosed separately in the Statement of Cashflows (Included in Suppliers and employee costs), but works out to R1,159,414; this figure is inherently difficult to forecast as it is dependent on the level of activity in the community.

3.09 - Finance lease payments

The budget did not provide for finance lease payments.

52. Distribution losses

Values - Rand

Electricity	144,559,574	58,281,283
Water	13,595,946	15,005,938
	158,155,520	73,287,221

Values - Units

Electricity	117,885,318	93,807,774
Water	5,595,274	1,700,391
	123,480,592	95,508,165

Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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52. Distribution losses (continued)

Electricity

The municipality purchased 214,728,312 (2020: 206,697,607) units during the financial year and sold 96,842,994.31 (2020: 112,899,833) units during the financial year. This represents a loss of 55% (2020: 45%). Reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and unmetered properties.

Water

The municipality purchased 8,242,635 (2020: 5,945,325) units during the financial year, of which a total of 2,647,361 (2020: 4,244,934) units were sold. This represents a loss of 68% (2020: 29%). Reasons for incurring water losses relates to old infrastructure, resulting in the section experiencing water leaks and continuous pipe breakages. The availability of working material in time is an issue, resulting in prolonged reaction times for the sections with breakages. Furthermore insufficient staff, components and working vehicles which affect the reaction time.

53. Change in estimate

Property, plant and equipment

During the financial year, management made changes in estimate on certain assets within Property Plant and Equipment. Changes emanating from these reviews were accounted for as a change in accounting estimates in terms of GRAP 3. These were due to the change in useful life whereby economic value could be derived from the assets after final physical verification of these assets were performed.

Infrastructure	7,418,221
Community (buildings)	225,454
Movable assets	540,623

54. Prior-year adjustments

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

Statement of financial position



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(Registration number MP302)

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Figures in Rand		2021	2020	
54. Prior-year adjustments (continued)				
2020				
	Note	As previously reported	Correction of error	Restated
Inventories		17,217,334	-	17,217,334
Receivables from exchange transactions		83,922,928	-	83,922,928
Receivables from non-exchange transactions		29,247,213	-	29,247,213
VAT receivable		174,157,965	69,806,332	243,964,297
Cash and cash equivalents		22,025,012	-	22,025,012
Investment property		117,018,813	(240,370)	116,778,443
Property, plant and equipment		2,333,364,231	(8,221,553)	2,325,142,678
Heritage assets		192,195	-	192,195
Finance lease obligation		(1,279,349)	-	(1,279,349)
Payables from exchange transactions		(1,211,626,673)	(219,381,426)	(1,431,008,099)
Consumer deposits		(16,933,577)	-	(16,933,577)
Employee benefit obligation		(3,583,000)	-	(3,583,000)
Unspent conditional grants and receipts		(16,696,658)	(127,681)	(16,824,339)
Finance lease obligation		(2,517,437)	-	(2,517,437)
Employee benefit obligation		(59,030,000)	-	(59,030,000)
Landfill site provision		(59,518,621)	-	(59,518,621)
Accumulated surplus		(1,405,960,376)	157,041,752	(1,248,918,624)
Accumulated surplus - surplus/deficit for the period		-	1,122,946	1,122,946
		-	-	-

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Service charges		(363,516,361)	-	(363,516,361)
Rental of facilities and equipment		(2,892,409)	-	(2,892,409)
Agency services		(7,767,956)	-	(7,767,956)
Other income		(15,808,231)	-	(15,808,231)
Interest earned		(39,755,456)	-	(39,755,456)
Property rates		(115,906,363)	-	(115,906,363)
Government grants and subsidies		(296,801,924)	127,681	(296,674,243)
Fines		(5,751,059)	-	(5,751,059)
Donations received		(2,675,968)	-	(2,675,968)
Employee related costs		235,352,088	(583,162)	234,768,926
Remuneration of councillors		15,941,113	-	15,941,113
Repairs and maintenance		41,783,789	-	41,783,789
Depreciation		125,006,552	1,349,480	126,356,032
Finance costs		30,925,412	-	30,925,412
Debt impairment		73,202,037	-	73,202,037
Bulk purchases		294,285,402	-	294,285,402
Contracted services		58,092,598	-	58,092,598
General expenditure		47,800,418	-	47,800,418
Loss on disposal of assets and liabilities		11,327,569	261,820	11,589,389
Fair value adjustments		(819,502)	(21,450)	(840,952)
Actuarial gain		(7,626,181)	-	(7,626,181)
(Impairment loss)/Reversal of impairments		4,542,627	(11,423)	4,531,204
Inventories (losses)/gains		(2,590,018)	-	(2,590,018)
Surplus for the year		76,348,177	1,122,946	77,471,123

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(Registration number MP302)

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Figures in Rand	2021	2020
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54. Prior-year adjustments (continued)

Changes to disclosure

Commitments: The commitments note was revised based on audit queries and a review of the commitment register. The original balance for commitments was overstated and was changed from R124,813,595 to R107,552,707.

55. Prior period errors

Error 1. LG SETA grant

An amount of R127,681 was received in the 2019/20 year from the LG SETA which related to the 2020/21 financial year. This was incorrectly recorded as revenue. As a result, Government Grants and Subsidies was overstated by this amount, and Unspent Conditional Grants and Receipts was understated by this amount.

The affect of the adjustments are as follow:

Statement of financial position

Increase Unspent Conditional Grants and Receipts	(127,681)
--	-----------

Statement of financial performance



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Figures in Rand	2021	2020
55. Prior period errors (continued)		
Increase in Government Grants and Subsidies		127,681
Error 2. Errors in 13th Cheque Accrual calculation		
The calculation of the 13th cheque accrual was found to be overstated due to the inclusion of ineligible staff members as well as an error in the calculation. As a result, Payables from Exchange Transactions was overstated by R583,162, and Employee Related Costs was overstated by the same amount		
The affect of the adjustments are as follow:		
Statement of financial position		
Decrease in Payables from Exchange Transactions		583,162
Statement of financial performance		
Increase in Employee Related Costs		(583,162)
Error 3 . Bank transactions		
Unallocated deposits were allocated during the year.		
The affect of the adjustments are as follow:		
Statement of financial position		
Increase (Decrease) in Payables from exchange	-	706,625
(Increase) Decrease in Accumulated Surplus	-	(706,625)
Error 4		
The municipality undertook an extensive review of the Trade payables in order to standardise processing, and bring the accounting records in line with supplier statements or confirmations at year end. As a result of this, Payables from exchange were found to be understated by R223,041,801, VAT receivable was understated by R69,806,332, accumulated surplus was overstated by R153,235,469.		
Statement of financial position		
Increase (Decrease) in VAT Receivables		69,806,332
(Increase) Decrease in Payables from Exchange Transactions		(223,041,801)
(Increase) Decrease in Accumulated Surplus		153,235,469
		-
Error 5		
A number of suspense accounts were investigated and found to have opening balances unchanged since 2018/19, when the mSCOA system was adopted. These were considered to be unsubstantiated and were cleared. As a result, Payables from exchange were overstated by R2,462,996 and accumulated surplus by the same amount.		
Statement of financial position		
(Increase) Decrease in Payables from Exchange Transactions		2,462,996
(Increase) Decrease in Accumulated Surplus		(2,462,996)
		-
Error 6 - Invalid receivable		
A receivable was raised in the prior year relating to GSDM; this was raised against accumulated surplus. This was not considered to be appropriate; as a result, Receivables from exchange transactions was overstated by R4,170,329 and accumulated surplus was overstated by the same amount.		

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2021

2020

55. Prior period errors (continued)

Error 6 Investment property

It was found that errors had been made in the calculation of the fair value of investment property. As such, Investment property was understated by R21,450, and Fair value adjustments were understated by the same amount. The affect of the adjustments are as follow:

Statement of financial position

Increase (Decrease) in Investment property

21,450

Statement of financial performance

(Increase) Decrease in Fair value adjustments

(21,450)

-

Error 7 Retentions

It was found that a retention amount in in 2016 had not been recorded. As a result, Payables from exchange transactions was understated by R92,409 and accumulated surplus was overstated by the same value. The affect of the adjustments are as follows:

Statement of financial position

(Increase) Decrease in Payables from Exchange transactions

(92,409)

(Increase) Decrease in Accumulated surplus

92,409

-

Error 8 Property, plant and equipment

When verifying the Property plant and equipment at year end, certain errors and omissions were identified in the asset register. As a result, Property, plant and equipment was overstated by R6869,597, Accumulated surplus was overstated by R5,531,541, and the related depreciation for 2019/20 was understated by R1,349,480 and Impairment overstated by R11,424.

Statement of financial position

Increase (Decrease) in Property, plant and equipment

(6,869,597)

(Increase) Decrease in Accumulated Surplus

5,531,541

Statement of financial performance

Increase (Decrease) in Depreciation

1,349,480

Increase (Decrease) in Impairment

(11,424)

-

Error 9. Investment property disposals

It was found that certain items of investment property were disposed of in prior years, but had not been recorded at the time of the transactions. As a result, Investment Property was overstated by R261,820, and Loss on disposal of assets and liabilities was understated by the same amount.

Statement of financial position

Increase (Decrease) in Investment property

(261,820)

Statement of financial performance

Increase (Decrease) in Loss on disposal of assets and liabilities

261,820

-

Audited
By
2022-07-31
Auditor General South Africa
Municipal Finance Unit

Msukaligwa Local Municipality

(Registration number MP302)

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55. Prior period errors (continued)

Error 10. Land recognised incorrectly

When reviewing the land holdings of the municipality, it was found that land to the value of R1,351,957 was not controlled by the municipality and, therefore, Property, plant and equipment and Accumulated surplus were overstated by this amount

Statement of financial position

Increase (Decrease) in Property, plant and equipment
(Increase) Decrease in Accumulated surplus

(1,351,957)
1,351,957

Unauthorised expenditure

Opening balance
Correction of 2020 opening balance
Correction of 2020 movement

257,614,258
(34,722,300)
(30,011,012)

Restated opening balance

192,880,946

It was found that the opening balance in 2020 was overstated with an amount of R34,722,300. Further, the Unauthorised expenditure for 2020 was recalculated and found to be R111,111,121 or R30,011,012 lower than previously reported.

Fruitless and wasteful expenditure

Opening balance
Adjustments made

141,438,243
(52,239,451)

Restated opening balance

89,198,792

An adjustment of R52,239,451 was processed in the 2019/20 financial year; this was found to be invalid, and was reversed.

Irregular expenditure

Opening balance
Adjustments made

254,506,289
114,950,742

Restated opening balance

369,457,031

The irregular expenditure register was revisited after the prior year audit and updated to include additional instances of irregular expenditure amounting to R114,950,742.



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56. Segment information

General information

Identification of segments

The municipality has five major segments linked to the primary services offered.

Electricity is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

Water is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

Sewerage is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

The Community and Health department concerned with and generates economic gains and service potential through refuse removal as well as the management of community assets and areas, including libraries, parks and landfill sites. Incidental to its activities, it generates fine revenue.

The Finance vote is administrative, however it generates economic benefits in the form of interest on invested funds, and sundry income from the sale of tender documents, etc. Further, the administration of property rates is co-ordinated by the finance department. The Finance department is responsible for most of the asymmetrical allocations in the segments: expenses and assets are allocated to the segments, but the related payables, VAT and interest expenses are allocated to the Finance department. Inventory is held under the Finance department.

The other segments are administrative in nature and any revenue generated by these is incidental to their operations. Vehicles, road infrastructure assets, and office furniture and equipment make up the majority of Property, plant and equipment not allocated to reportable segments.

The table below is exclusive of interdepartmental billings (which are offset under Expenses in the Statement of Financial performance)..



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56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Revenue							
Service revenue	214,175,856	73,573,499	46,956,651	38,971,162	-	-	373,677,168
Interest revenue	7,504,477	10,956,678	6,801,125	6,408,366	10,723,934	-	42,394,580
Agency fees	-	-	-	9,276,278	-	-	9,276,278
Rental of facilities and equipment	-	-	-	141,391	-	2,359,692	2,501,083
Other income	3,277,375	41,305	728	5,161,525	859,262	2,843,802	12,183,997
Grants and subsidies	-	134,575,029	-	-	3,000,000	248,600,856	386,175,885
Rates	-	-	-	-	127,003,868	-	127,003,868
Fines	-	-	-	5,768,630	-	202,260	5,970,890
Donations	-	10,000,722	-	1,480,000	-	-	11,480,722
Other	-	-	-	-	-	1,860	1,860
Total segment revenue	224,957,708	229,147,233	53,758,504	67,207,352	141,587,064	254,008,470	970,666,331
Entity's revenue							970,666,331

Audited
By

2022-01-31

Auditor General South Africa
Municipalities and Local Government

Msukaligwa Local Municipality

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56. Segment information (continued)

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Expenditure							
Employee related costs	(19,821,512)	(19,218,492)	(14,940,326)	(75,436,644)	(35,935,038)	(99,953,599)	(265,305,611)
Repairs and maintenance	(9,577,333)	(10,284,148)	(774,207)	(2,533,032)	(2,261)	(3,304,029)	(26,475,010)
Depreciation	(17,880,015)	(25,433,123)	(15,671,979)	(10,861,645)	(534,009)	(55,477,344)	(125,858,115)
Finance Costs	-	-	-	-	(97,222,975)	(6,148,559)	(103,371,534)
Debit Impairment	(10,038,120)	(14,015,940)	(12,893,251)	(17,884,261)	2,129,641	2,827,418	(49,874,513)
Bulk Purchases	(264,680,025)	(71,233,397)	-	-	-	-	(335,913,422)
Contracted Services	(8,276,151)	-	-	(23,938,648)	(11,044,987)	(9,780,831)	(53,040,617)
Expenses	(776,066)	(2,500,227)	(183,192)	(5,236,554)	(14,010,626)	(29,766,171)	(52,472,836)
Gains/(Losses) on disposal of assets and liabilities	786,962	(3,220,185)	(2,683,632)	(94,065)	-	(2,135,750)	(7,346,670)
Actuarial gains/(losses)	-	-	-	(4,104,602)	-	-	(4,104,602)
Impairment	(3,116,214)	-	(1,225,855)	(1,545,488)	-	(5,301,907)	(11,189,464)
Gains/(Losses) on Inventory	-	-	-	(128,709)	-	-	(128,709)
Total segment expenditure	(333,378,474)	(145,905,512)	(48,372,442)	(141,763,648)	(156,620,255)	(209,040,772)	(1,035,081,103)
Total segmental surplus/(deficit)							(64,414,772)
Assets							
Inventory	-	-	-	-	26,063,539	-	26,063,539
Cash and cash equivalents	-	-	-	-	7,861,420	-	7,861,420
Receivables from exchange revenue	38,368,557	39,534,070	17,889,204	17,035,035	19,190,231	-	132,017,097
Receivables from non-exchange	-	-	-	1,676,277	40,053,239	-	41,729,516
VAT Receivable (Payable)	(14,830,596)	(16,207,928)	(12,183,456)	(10,259,039)	292,923,441	119,780	239,562,202
Property, plant and equipment	310,576,051	585,081,081	455,027,832	165,348,683	36,691,218	810,246,772	2,362,971,637
Investment property	-	-	-	-	114,321,362	-	114,321,362
Heritage assets	-	-	-	-	-	192,195	192,195
Intangible assets	-	-	-	-	-	108,044	108,044
Total segment assets	334,114,012	608,407,223	460,733,580	173,800,956	537,104,450	810,666,791	2,924,827,012
Total assets as per Statement of financial Position							2,924,827,012

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	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
56. Segment information (continued)							
Liabilities							
Unspent Grants	(2,951,203)	(317,000)	-	-	2,114,989	(587,690)	(1,740,904)
Consumer Deposits	(13,175,616)	-	-	-	(4,917,375)	-	(18,092,991)
Provisions	-	-	-	(73,430,066)	-	-	(73,430,066)
Payables from exchange transactions	-	-	-	(919,772)	(1,567,775,907)	(4,742,037)	(1,573,437,716)
Employee benefit obligation	-	-	-	-	(13,097,000)	(59,130,000)	(72,227,000)
Finance lease	-	-	-	-	(2,517,437)	-	(2,517,437)
Total segment liabilities	(16,126,819)	(317,000)	-	(74,349,838)	(1,586,192,730)	(64,459,727)	(1,741,446,114)
Total liabilities as per Statement of financial Position							(1,741,446,114)

Information about geographical areas

The municipality's operations are in the Mpumalanga Province, it's major geographical areas within the Province are Ermelo, Breyton, Davel, Sheepmoor, Chrissiesmeer, Lothair and Warburton. Information is not readily available by geographical location, and this was considered too expensive to pursue for the purpose of these financial statements, however, as the application of mSCOA is refined within the municipality, this is expected to change.

