

Audited .
By :
2022 -03- 01
Auditor General South Africa
Mpumalanga Business Unit



dr.jsmlm

Dr JS Moroka Local Municipality
(Registration number MP316)
Annual Financial Statements
for the year ended 30 June 2021

Dr JS Moroka Local Municipality

(Registration number MP316)

Annual Financial Statements for the year ended 30 June 2021

General Information

Nature of business and principal activities

Local Municipality

Mayoral committee

Executive Mayor

Mathabe RS

Madileng WT (Resigned September 2020)

MMC Social Development

Nkoane MR

MMC Public Safety, Roads & Transport

Shabangu MM

MMC Planning & Infrastructure

Mdluli DM

MMC Finance & LED

Sekanka ME

MMC Admin & Corporate Services

Sibanyoni LB

Speaker

Mahlangu DP

Council Whip

Ntlailane MS

Councillors

Madonsela TL

Lekalakala TI

Mashishi MW

Phaahla SM

Aphane SP

Komape AN

Nkgodi JS

Macka RN

Mnguni PP

Maja SR

Mahlangu JS

Nkoane MR

Banda MD

Mthiwethafa NC

Ratsoma PG

Ndlovu AZ

Mtsweni MG

Masango A

Mputhi JM

Mthimunye WE

Skhosana JC

Mkoneni JT

Masilela ML

Skosana CB

Namane AM

Mojela BN

Mkhondo MS

Matji JS

Makgaloa CM

Leballo JM

Lebelo LK

Nyatlo TM

Lekalakala TI

Legong TB

Majombosi TR

Makola KD

Moselane MM

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Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

General Information

	Mahlangu K Ngoatle MM Mashigoana DK Masombuka NZ Ngoako MM Mtsweni DN Ntuli KB Mokoala VD Baloyi LW Rankapole MM Ratladi SJ Maoka RN Magakela BM Maja SR Moimana AT Ntuli ML Legong MS Mahlangu MW Mnguni PP Moffomme MA Ledwaba LL Madisha RS Sekwala JM
Grading of local authority	Grade 4
Acting Chief Finance Officer (ACFO)	Mahlangu S.K
Accounting Officer	Mhlanga B.M
Registered office	A2601/3 Bongimfundo Street Siyabuswa 0472
Business address	A2601/3 Bongimfundo Street Siyabuswa 0472
Postal address	Private Bag X4012 Siyabuswa 0472
Bankers	ABSA Bank Limited Marble Hall Branch
Auditors	Auditor General South Africa



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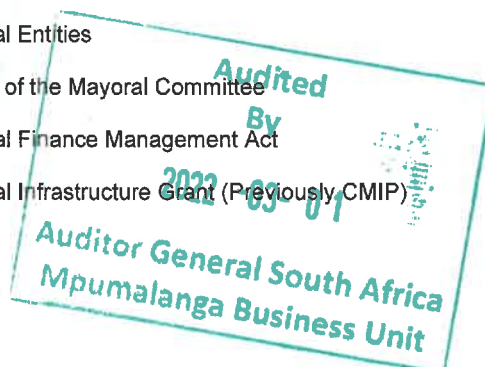
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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the audited annual financial statements.

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



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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 and non 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 must be 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 controls 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 01 July 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 accounting officer certify that salaries, allowances and benefits of Councillors as disclosed in note 26 of these Annual Financial Statements are in line with the upper limits of framework envisaged in section 219 of the Constitution read with Remuneration of Public Office Bearers Act, Act no 20 of 1998 and section 124 of the Municipal Management Act, Act 56 of 2003.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements of Dr JS Moroka Municipality set out on pages 5 to 54, which have been prepared on going concern basis, were approved by the municipality on 31 August 2021 and were signed on its behalf by:

Mhlanga B.M
Acting Municipal manager

Siyabuswa
Tuesday, 31 August 2021



Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality is 61 974 307 (2020: surplus 189 745 039).

2. Subsequent events

The accounting officer is not aware of some matter or circumstance arising since the end of the financial year which might require adjustment to the financial information.

3. Accounting policies

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

4. Accounting Officer

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

Name	Nationality
Mhlanga B.M	South African

5. Bankers

The municipality banks primarily with ABSA Bank Limited.

6. Auditors

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

7. 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 commence mental text.

During the financial period under review 30 June 2021, Dr JS Moroka Local Municipality did not enter into any Public Private Partnership agreements.

8. mSCOA adoption

During the financial year ended 30 June 2018 the municipality adopted the mSCOA, this resulted in the reclassification of some votes in the financial statements.



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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	5 711 165	3 536 955
Receivables from exchange transactions	3	584 783	1 640 061
Receivables from non-exchange transactions	4	182 374	110 500
VAT receivable	5	41 314 667	46 447 049
Consumer debtors	6	187 036 599	175 692 590
Cash and cash equivalents	7	61 230 603	99 656 109
		296 060 191	327 083 264
Non-Current Assets			
Investment property	8	154 170	154 170
Property, plant and equipment	9	1 808 334 364	1 756 964 061
		1 808 488 534	1 757 118 231
Total Assets		2 104 548 725	2 084 201 495
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	118 601 507	155 760 239
Consumer deposits	12	813 746	782 782
Unspent conditional grants and receipts	13	-	14 920 246
Long service award	15	812 417	1 428 908
		120 227 670	172 892 175
Non-Current Liabilities			
Provisions	14	36 469 900	28 213 997
Long service award	15	13 311 627	10 530 132
		49 781 527	38 744 129
Total Liabilities		170 009 197	211 636 304
Net Assets		1 934 539 528	1 872 565 191
Accumulated surplus		1 934 574 096	1 872 565 191



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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	75 466 451	96 799 154
Rental of facilities and equipment	17	161 051	260 735
Interest on receivables (trading)	24	40 737 713	48 248 692
Licences and permits	18	4 306 595	2 697 922
Operational revenue	19	7 467 908	5 802 683
Interest received - investment	20	1 336 113	5 900 914
Actuarial gains/loses recognised	15	-	881 996
Total revenue from exchange transactions		129 475 831	160 592 096
Revenue from non-exchange transactions			
Property rates	21	35 770 418	37 162 953
Transfers and subsidies	22	586 183 244	494 135 443
Donations	23	7 443 579	32 717 257
Traffic fines		447 600	363 150
Total revenue from non-exchange transactions		629 844 841	564 378 803
Total revenue	24	759 320 672	724 970 899
Expenditure			
Employee related costs	25	(203 204 845)	(193 051 011)
Remuneration of councillors	26	(23 913 808)	(23 821 807)
Depreciation and amortisation	27	(65 465 226)	(64 092 970)
Impairment loss	28	(420 846)	(17 783 632)
Finance costs	29	(2 822 948)	(3 078 168)
Operating leases	30	(3 507 896)	(2 567 047)
Bad debts provision	31	(118 072 943)	(78 872 956)
Contracted services	32	(173 649 962)	(89 595 306)
Actuarial loss recognised	15	(1 375 470)	-
Loss on non-current assets disposal		(1 888 061)	-
Operational Cost	33	(103 024 360)	(62 362 963)
Total expenditure		(697 346 365)	(535 225 860)
Surplus (deficit) for the year		61 974 307	189 745 039

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Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2019 as restated	1 682 820 152	1 682 820 152
Changes in net assets		
Surplus for the year	189 745 039	189 745 039
Total changes	189 745 039	189 745 039
Restated* Balance at 01 July 2020	1 872 599 789	1 872 599 789
Surplus for the year	61 974 307	61 974 307
Total changes	61 974 307	61 974 307
Balance at 30 June 2021	1 934 574 096	1 934 574 096

Note(s)



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Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of services		34 132 996	41 203 524
Grants		571 263 000	505 627 000
Other receipts		13 282 567	7 610 619
		618 678 563	554 441 143
Payments			
Employee costs		(229 377 896)	(220 196 030)
Suppliers		(317 912 508)	(121 408 768)
		(547 290 404)	(341 604 798)
Net cash flows from operating activities	35	71 388 159	212 836 345
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(111 701 727)	(128 681 233)
Proceeds from sale of property, plant and equipment	9	1 888 062	-
Net cash flows from investing activities		(109 813 665)	(128 681 233)
Net increase/(decrease) in cash and cash equivalents		(38 425 506)	84 155 112
Cash and cash equivalents at the beginning of the year		99 656 109	15 500 997
Cash and cash equivalents at the end of the year	7	61 230 603	99 656 109

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue from exchange transactions						
Revenue						
Service charges	85 600 000	-	85 600 000	75 466 451	(10 133 549)	Consumer accounts were settle less than expected. Less water supplied to Sekhukhune District
Rental of facilities and equipment	195 000	-	195 000	161 051	(33 949)	Less utilisation by the community members due to the Covid lockdowns.
Interest earned- Outstanding debtors	20 000 000	-	20 000 000	40 737 713	20 737 713	Increased due to non payment of services.
Licence and permits	5 555 000	-	5 555 000	4 306 595	(1 248 405)	Less licenses were issued during the year, delays in opening for testing centre
Other income	4 129 000	-	4 129 000	7 467 908	3 338 908	
Interest received - investment	5 500 000	-	5 500 000	1 336 113	(4 163 887)	There was low investment in the during the year.
Total revenue	120 979 000	-	120 979 000	129 475 831	8 496 831	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	40 000 000	-	40 000 000	35 770 418	(4 229 582)	More properties were levied for property rates
Transfer revenue						
Government grants & subsidies	482 226 000	-	482 226 000	586 183 244	103 957 244	Donations received were incorporated in to the grants and subsidies as required by mSCOA
Public contributions and donations	-	-	-	7 443 579	7 443 579	

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fines, Penalties and Forfeits	805 000	-	805 000	447 600	(357 400)	Less tickets were issued during the year due to lockdown.
Total revenue from non-exchange transactions	523 031 000	-	523 031 000	629 844 841	106 813 841	
Total revenue	644 010 000	-	644 010 000	759 320 672	115 310 672	
Expenditure						
Employee cost	(233 750 000)	-	(233 750 000)	(203 204 845)	30 545 155	
Remuneration of councillors	(26 624 000)	-	(26 624 000)	(23 913 808)	2 710 192	
Depreciation and amortisation	(66 000 000)	-	(66 000 000)	(65 465 226)	534 774	
Impairment loss	-	-	-	(420 846)	(420 846)	
Finance costs	(400 000)	-	(400 000)	(2 822 948)	(2 422 948)	mainly due to the interest calculated for land fill sites and long service bonus
Operating leases	-	-	-	(3 507 896)	(3 507 896)	
Debt Impairment	(50 000 000)	-	(50 000 000)	(118 072 943)	(68 072 943)	
Contracted services	(177 350 000)	-	(177 350 000)	(173 649 962)	3 700 038	
Operational Expenses	(146 890 000)	-	(146 890 000)	(103 024 360)	43 865 640	The item forms part of General Expenditure
Total expenditure	(701 014 000)	-	(701 014 000)	(694 082 834)	6 931 166	
Operating surplus	(57 004 000)	-	(57 004 000)	65 237 838	122 241 838	
Actuarial gains	-	-	-	(1 375 470)	(1 375 470)	
Loss on disposal of assets	-	-	-	(1 888 061)	(1 888 061)	
	-	-	-	(3 263 531)	(3 263 531)	
Surplus before taxation	(57 004 000)	-	(57 004 000)	61 974 307	118 978 307	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(57 004 000)	-	(57 004 000)	61 974 307	118 978 307	

Reconciliation



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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 991 000	(1 200 000)	2 791 000	5 711 165	2 920 165	More inventory items were bought towards year end.
Receivables from exchange transactions	-	-	-	584 783	584 783	Increase of debtors due to non payment by debtors
Receivables from non-exchange transactions	-	-	-	182 374	182 374	
VAT receivable	-	-	-	41 314 667	41 314 667	
Consumer debtors	108 027 000	(10 700 000)	97 327 000	187 036 599	89 709 599	Mainly due to lower collection rate as result of covid
Cash and cash equivalents	123 544 000	(1 845 000)	121 699 000	61 230 603	(60 468 397)	mainly due to early withdrawal of investments. Less spending to lockdown.
	235 562 000	(13 745 000)	221 817 000	296 060 191	74 243 191	
Non-Current Assets						
Investment property	154 170	-	154 170	154 170	-	
Property, plant and equipment	2 048 793 000	39 866 000	2 088 659 000	1 808 334 364	(280 324 636)	more PPE projects were implemented in the current year, hence the increase
	2 048 947 170	39 866 000	2 088 813 170	1 808 488 534	(280 324 636)	
Total Assets	2 284 509 170	26 121 000	2 310 630 170	2 104 548 725	(206 081 445)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	40 650 000	57 395 000	98 045 000	118 601 507	20 556 507	increase due to non payment, because of cash flow challenges
Consumer deposits	502 000	-	502 000	813 746	311 746	
Long service award	-	-	-	812 417	812 417	
	41 152 000	57 395 000	98 547 000	120 227 670	21 680 670	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Non-Current Liabilities						
Provisions	-	-	-	36 469 900	36 469 900	
Long service award	-	-	-	13 311 627	13 311 627	
	-	-	-	49 781 527	49 781 527	
Total Liabilities	41 152 000	57 395 000	98 547 000	170 009 197	71 462 197	
Net Assets	2 243 357 170	(31 274 000)	2 212 083 170	1 934 539 528	(277 543 642)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 243 357 170	(31 274 000)	2 212 083 170	1 934 539 528	(277 543 642)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	85 600 000	-	85 600 000	34 132 996	(51 467 004)	
Grants	482 226 000	-	482 226 000	571 263 000	89 037 000	
Other receipts	15 184 000	-	15 184 000	13 282 567	(1 901 433)	
	583 010 000	-	583 010 000	618 678 563	35 668 563	
Payments						
Employee costs and suppliers	(233 750 000)	-	(233 750 000)	(229 377 866)	4 372 134	
Transfer and subsidies	(324 640 000)	-	(324 640 000)	(316 797 997)	7 842 003	
	(558 390 000)	-	(558 390 000)	(546 175 863)	12 214 137	
Net cash flows from operating activities	24 620 000	-	24 620 000	72 502 700	47 882 700	
Net increase/(decrease) in cash and cash equivalents	24 620 000	-	24 620 000	72 502 700	47 882 700	
Cash and cash equivalents at the end of the year	24 620 000	-	24 620 000	72 502 700	47 882 700	
Reconciliation						



Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

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

1.2 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

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

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

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

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

Cost model

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

the useful life of the property, is as follows:

Item	Useful life
Property - land	indefinite

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:

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Investment property (continued)

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	indefinite

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Accounting Policies

1.3 Property, plant and equipment (continued)

Buildings	Straight line	5-60
Plant and machinery	Straight line	3 - 50
Furniture and fixtures	Straight line	3 - 20
Transport Assets	Straight line	3 - 20
Office equipment	Straight line	3 - 20
IT equipment	Straight line	3 - 20
Infrastructure	Straight line	3 - 60
Community	Straight line	10 - 50

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

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

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

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

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

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

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

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

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

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

1.4 Site restoration and dismantling cost

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

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1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

1.5 Intangible assets

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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1.5 Intangible assets (continued)

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 17

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

1.6 Financial instruments

Classification

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Fair value determination

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

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Impairment losses are not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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1.6 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within annual financial statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against municipality in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost. The overdraft recorded as a liability in the statement of financial position.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 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.

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1.7 Leases (continued)

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.

1.8 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of the business.

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.

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

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

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

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.

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1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

Recoverable 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:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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.

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Accounting Policies

1.9 Impairment of cash-generating assets (continued)

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.

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.10 Employee benefits

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

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

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1.10 Employee benefits (continued)

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

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

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

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

The salaries, allowances and benefits of Councillors are dealt with the upper limits of framework envisaged in section 219 of the constitution read with Remuneration of Public Office Bearers Act, Act no 20 of 1998 and section 124 of the Municipal Finance Management Act, Act 56 of 2003.

The salaries, wages, allowances and benefits for employees for rendering of services are recognised in the statement of financial performance in the period incurred.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

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.

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

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

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

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

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

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.

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1.11 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.

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.

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the note to annual financial statements..

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.

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1.11 Provisions and contingencies (continued)

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

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

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

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

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

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:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test 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 1.9.

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

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

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

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1.12 Revenue from exchange transactions (continued)

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, royalties and dividends or similar distributions is recognised when:

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

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

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

1.13 Revenue from non-exchange transactions

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

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

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

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an 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.

Dr JS Moroka Local Municipality

(Registration number MP316)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

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.

1.14 Investment income

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

1.15 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.

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

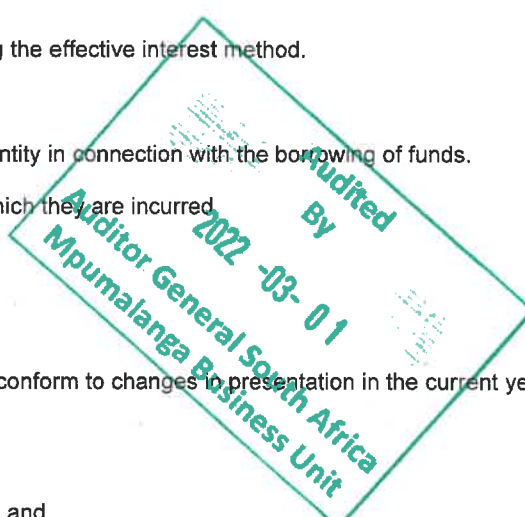
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful 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.



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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not condoned in terms of section 170;

Expenditure incurred by a municipality or municipal entity in Contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998); or

Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law

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

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

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

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

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Budget information

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

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

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 15.

1.22 Related parties

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

Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Related parties (continued)

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

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

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

1.23 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.

1.24 Capital Commitments

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

Capital commitments are not recognised in statement of financial position as a liability, but are included in the disclosure notes.

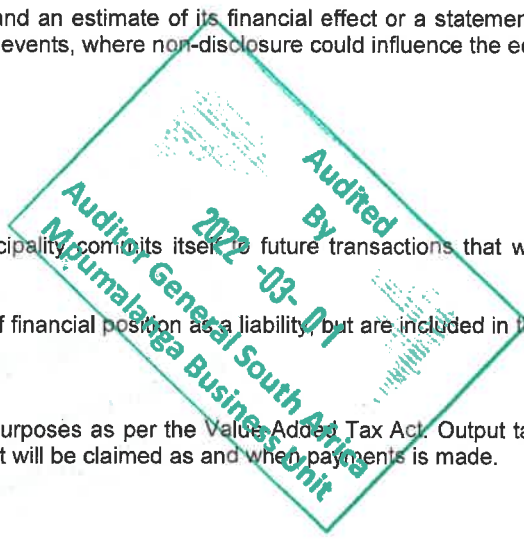
1.25 Value-Added Tax

The municipality applies the payments basis for VAT purposes as per the Value Added Tax Act. Output tax is payable as and when the purchase consideration are received and input will be claimed as and when payments is made.

1.26 Receivables form non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognised as an asset when , and only when:

- (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity
- (b) The fair value of the assets can be measured reliably.



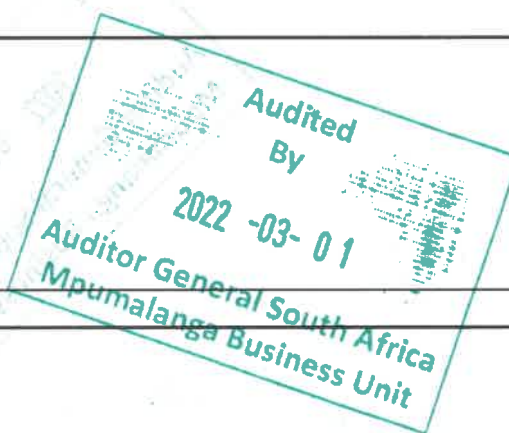
Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
2. Inventories		
Consumable stores	5 711 165	3 536 955
3. Receivables from exchange transactions		
Interest accrued	80 751	80 751
Debtors on sale of stands	1 049 777	1 049 777
Impairment of debtors on sale of stands	(1 049 777)	-
Other receivables	504 032	509 533
	584 783	1 640 061
Reconciliation of provision for impairment of trade and other receivables		
4. Receivables from non-exchange transactions		
Fines	6 431 339	5 976 589
Allowance for impairment	(6 248 965)	(5 866 089)
	182 374	110 500
5. VAT Receivables		
VAT	41 314 667	46 447 049
6. Consumer debtors		
Gross balances		
Rates	94 177 999	125 095 444
Water	167 060 326	212 189 419
Sewerage	12 549 442	30 921 208
Refuse	13 075 730	34 402 482
Interest and other	125 431 314	225 278 485
	412 294 811	627 887 038
Less: Allowance for impairment		
Rates	(38 714 133)	(66 020 861)
Water	(86 459 384)	(149 785 134)
Sewerage	(10 484 052)	(24 528 531)
Refuse	(11 988 124)	(33 009 534)
Interest and other	(77 612 519)	(178 850 388)
	(225 258 212)	(452 194 448)
Net balance		
Rates	55 463 866	59 074 583
Water	80 600 942	62 404 285
Sewerage	2 065 390	6 392 677
Refuse	1 087 606	1 392 948
Interest and other	47 818 795	46 428 097
	187 036 599	175 692 590



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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
6. Consumer debtors (continued)		
Included in above is receivables from exchange transactions		
Water	80 572 018	96 936 824
Sewerage	2 065 389	14 130 770
Refuse	1 084 193	6 192 129
Interest and other	48 279 839	35 942 914
	132 001 439	153 202 637
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	55 444 207	37 276 794
Net balance	187 445 646	190 479 431
Rates		
Current (0 -30 days)	3 963 420	13 048 566
31 - 60 days	2 048 566	2 943 761
61 - 90 days	1 620 174	9 462 082
91 - 120 days	47 831 706	33 620 174
	55 463 866	59 074 583
Water		
Current (0 -30 days)	6 598 964	6 716 554
31 - 60 days	13 390 167	11 958 694
61 - 90 days	7 176 455	7 097 695
91 - 120 days	53 435 356	36 631 342
	80 600 942	62 404 285
Sewerage		
Current (0 -30 days)	435 318	403 878
31 - 60 days	178 762	2 763 693
61 - 90 days	703 787	780 627
91 - 120 days	747 523	2 444 479
	2 065 390	6 392 677
Refuse		
Current (0 -30 days)	156 385	675 595
31 - 60 days	329 510	624 847
61 - 90 days	262 109	65 596
91 - 120 days	339 602	26 910
	1 087 606	1 392 948
Other (specify)		
Current (0 -30 days)	5 775 743	5 737 547
31 - 60 days	14 880 709	5 623 013
61 - 90 days	14 603 733	11 457 576
91 - 120 days	12 558 610	23 609 961
	47 818 795	46 428 097

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
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6. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(462 170 172)	(384 821 120)
Contributions to allowance	(109 352 634)	(67 373 328)
Debtors written off	346 264 594	-
	(225 258 212)	(452 194 448)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	31 298 971	51 039 262
Short-term investments	29 931 632	48 616 847
	61 230 603	99 656 109

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank-40-6952-9871- Call deposits	7 267 015	7 035 904	3 456 193	7 267 015	7 035 904	3 456 193
ABSA Bank-40-5295-3971- Cheque Account (Primary)	31 298 971	51 039 262	5 115 493	31 298 971	51 039 262	4 704 425
ABSA Bank-40-9074-1909- Call deposits	21 210 242	40 172 453	7 340 379	21 210 242	40 172 453	7 340 379
ABSA Bank-40-9720-6394- Call deposits	1 454 375	1 408 490	-	1 454 375	1 408 490	-
Total	61 230 603	99 656 109	15 912 065	61 230 603	99 656 109	15 500 997

8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	154 170	-	154 170	154 170	-	154 170

Reconciliation of investment property - 2021

Land	Opening balance 154 170	Total 154 170
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Reconciliation of investment property - 2020

Investment property	Opening balance 154 170	Total 154 170
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Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 2020

8. Investment property (continued)

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

Details of valuation

The valuation was based on the report conducted by Professional Mobile Mapping professional valuer. The general evaluation came into effect on 01 July 2018.

The valuations was based on deemed cost approach, in line with the municipality adopted approach in valuation of investment properties. The deemed cost is described as per GRAP Directive 7 [4].

9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	87 395 669	-	87 395 669	87 395 669	-	87 395 669
Buildings	99 312 598	(77 253 982)	22 058 616	99 312 598	(75 084 947)	24 227 651
Plant and machinery	40 420 559	(18 064 059)	22 356 500	25 165 114	(18 064 059)	7 101 055
Furniture and fixtures	13 241 430	(9 954 606)	3 286 824	14 202 671	(9 954 606)	4 248 065
Transport assets	37 723 982	(33 307 675)	4 416 307	40 197 682	(33 307 675)	6 890 007
Office equipment	4 101 702	(3 197 991)	903 711	4 101 702	(2 986 375)	1 115 327
IT equipment	26 840 777	(9 702 728)	17 138 049	28 937 173	(9 702 728)	19 234 445
Infrastructure	1 786 955 978	(367 251 075)	1 419 704 903	1 687 233 328	(318 488 996)	1 368 744 332
Community	190 879 445	(113 161 056)	77 718 389	198 055 031	(114 105 465)	83 949 566
Assets under construction	153 355 396	-	153 355 396	154 057 944	-	154 057 944
Total	2 440 227 536	(631 893 172)	1 808 334 364	2 338 658 912	(581 694 851)	1 756 964 061



Dr JS Moroka 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

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Derocognition	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	87 395 669	-	-	-	-	-	-	-	87 395 669
Buildings	24 227 651	-	-	-	-	-	-	-	22 058 616
Plant and machinery	101 055	12 235 747	5 383 622	(31 292)	-	-	(2 169 035)	(29 565)	22 356 500
Furniture and fixtures	4 248 065	-	-	(24 583)	-	-	(873 894)	(62 764)	3 286 824
Transport Assets	6 890 007	-	-	-	-	-	(2 473 700)	-	4 416 307
Office equipment	1 115 327	-	-	(23 601)	-	-	(187 426)	(589)	903 711
IT equipment	19 234 445	409 557	-	(1 035 065)	-	-	(1 446 715)	(24 173)	17 138 049
Infrastructure	1 368 744 332	-	2 059 088	(243 648)	19 758 971	-	(50 310 085)	(303 755)	1 419 704 903
Community	83 949 566	-	-	(529 873)	-	-	(5 701 304)	-	77 718 389
Assets under construction	154 057 944	99 056 423	-	-	-	-	-	-	153 355 396
	1 756 964 061	111 701 727	7 442 710	(1 888 062)	-	(65 465 226)	(420 846)	1 808 334 364	

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	87 395 669	-	-	-	-	-	-	87 395 669
Buildings	28 743 866	-	-	-	(3 641 916)	(874 299)	-	24 227 651
Plant and machinery	14 738 570	846 299	-	-	(3 219 360)	(5 264 454)	-	7 101 055
Furniture and fixtures	5 942 451	-	-	-	(935 160)	(759 226)	-	4 248 065
Transport Assets	12 045 936	1 739 718	-	-	(2 533 123)	(4 362 524)	-	6 890 007
Office equipment	2 012 764	-	-	-	(197 994)	(699 443)	-	1 115 327
IT equipment	7 873 463	2 712 110	9 580 787	-	-	(1 006 518)	74 603	19 234 445
Infrastructure	1 315 724 244	-	15 600 399	86 996 935	(46 514 499)	(3 062 747)	-	1 368 744 332
Community	96 405 657	-	-	-	(8 077 128)	(4 378 963)	-	83 949 566
Assets under construction	117 105 270	123 383 106	566 503	(86 996 935)	-	-	-	154 057 944
	1 687 987 890	128 681 233	25 747 689	-	(65 119 180)	(20 408 174)	74 603	1 756 964 061

Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

9. Property, plant and equipment (continued)

WIP projects taking a significantly longer period of time to complete than expected

The Fresh Produce Project started in 2008 first payment was in 2009. Due to various factors such as community protests regarding the initial site of the project, the Municipality was forced to move the project to its current location during the 2012/2013 financial year. The project has been delayed with community protests since inception. during 2013/2014 financial year the delays were due to contractor not having material on site due to cash flow problems. Further more there delays due to sub contractor not being paid hence they stopped work. Due to the slow progress of the initial contractor and his unwillingness to complete project on time, a new contractor had to be appointed which caused further delays. The revised completion date was 2015 but was once again delayed due to community protests causing the project not to be completed. The new completion date was scheduled for 2016/2017 financial year end but due to protest in May to July of 2016 the project was further delayed.



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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
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10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 453 883	(1 453 883)	-	1 453 883	(1 453 883)	-

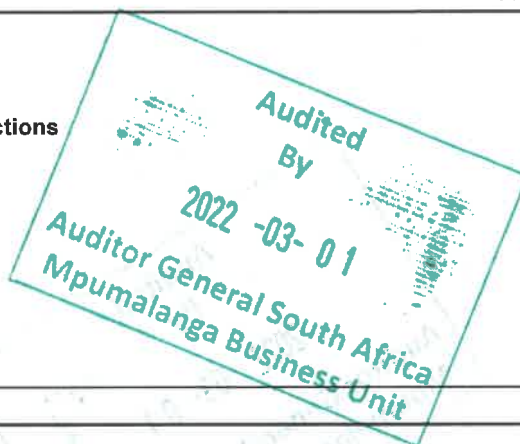
Reconciliation of intangible assets - 2021

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	106 639	(106 639)	-

11. Payables from exchange transactions

Trade payables	45 466 714	85 512 026
Income received in advance	13 821 514	7 893 451
ENatis	1 404 794	2 945 868
Leave accrued	20 557 582	18 819 403
Accrued bonus	4 862 879	4 758 901
Payroll accruals	479 944	4 019 709
Third party payables	3 503 519	3 624 597
Retentions	28 504 561	28 186 284
	118 601 507	155 760 239



12. Consumer deposits

Water	626 795	597 295
Refuse	7 869	7 869
Housing rental	179 082	177 618
	813 746	782 782

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	-	10 954 087
Financial management grant	-	967 940
EPWP	-	1 174 661
WSIG	-	237 842
Integrated national electrification programme	-	1 585 716
	-	14 920 246

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
13. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	14 920 245	3 428 689
Additions during the year	97 833 000	130 424 000
Income recognition during the year	(112 753 245)	(118 932 443)
	-	14 920 246

See note 22 for reconciliation of grants from National/Provincial Government.

14. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Siyabuswa landfill	20 385 414	1 437 815	1 204 921	23 028 150
Libangeni landfill	7 828 583	5 033 014	580 153	13 441 750
	28 213 997	6 470 829	1 785 074	36 469 900

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Total
Siyabuswa landfill	19 887 918	(1 032 820)	1 530 316	20 385 414
Libangeni landfill	7 369 096	(144 388)	603 875	7 828 583
	27 257 014	(1 177 208)	2 134 191	28 213 997

Environmental rehabilitation provision

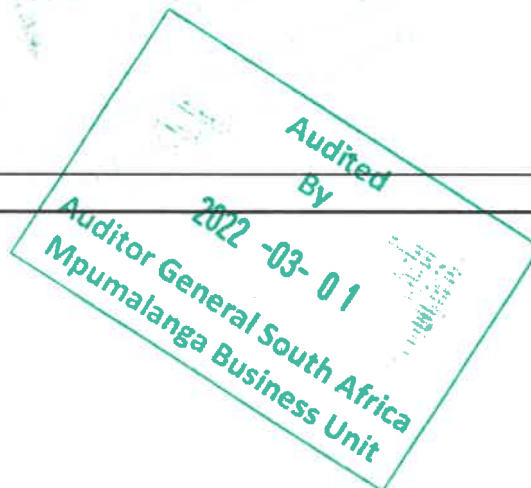
The municipality has two landfill site for which the calculation was made and those calculations of the closure costs have been based on an estimations.

Siyabuswa landfill has now been closed, a remaining life of zero years has been used for these valuations since 2013.

The expected remaining life of the Libangeni landfill is estimated at 29 years.

15. Long service bonus liability

Opening balance	11 959 040	11 075 398
Service cost	1 180 567	1 171 591
Interest cost	1 037 875	943 977
Actuarial gains/ loss	1 375 470	(881 996)
Benefits paid	(1 428 908)	(349 930)
	14 124 044	11 959 040



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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
15. Long service bonus liability (continued)		
Long service bonus broken	2021	2020
Current portion	812 417	1 428 908
Non current	13 311 627	10 530 132
Nature of Liability		
<p>The employer's long service bonus awards consist of an obligation to pay out a bonus in the year of the employee attaining the required service. This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy. Dr JS Moroka offers bonuses for every 5 years of completed service from 10 years to 45 years.</p>		
<p>Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Dr JS Moroka advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.</p>		
Summary of actuarial assumptions		
<p>The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2020 the duration of liabilities was 6.95 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 8.81% per annum, and the yield on inflation-linked bonds of a similar term was about 3.07% per annum. This implies an underlying expectation of inflation of 5.08% per annum $([1 + 8.81\% - 0.50\%] / [1 + 3.07\%] - 1)$.</p>		
<p>We have assumed that salary inflation would exceed general inflation by 1.00% per annum i.e. 6.08% per annum.</p>		
<p>However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.57% per annum $([1 + 8.81\%] / [1 + 6.08\%] - 1)$.</p>		
Liability valuation method		
<p>Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases. For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. In accordance with the requirements of IAS19, the Projected Unit Credit method of funding has been applied.</p>		
16. Service charges		
Sale of water	63 570 867	81 715 593
Sewerage and sanitation charges	7 446 276	9 032 047
Refuse removal	4 449 308	6 051 514
	75 466 451	96 799 154
17. Rental of facilities and equipments		
Municipal buildings	116 406	128 059
Community halls	44 645	132 676
	161 051	260 735
18. Licence and permits		
Motor vehicle trading permits	4 121 069	2 451 575
	185 526	246 347
	4 306 595	2 697 922

Dr JS Moroka Local Municipality

(Registration number MP316)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
19. Operational revenue		
Community service fee	237 727	613 899
Advertising	69 060	26 178
Sundry income	1 561 168	766 630
Application for tenders	948 270	1 270 176
Administration fees	4 651 683	3 125 800
	7 467 908	5 802 683
20. Interest received		
Interest revenue		
Interest on fixed deposit	1 336 113	5 900 914
21. Property rates		
Rates received		
Residential	8 327 061	12 937 269
Commercial	2 315 432	5 402 179
State	24 422 239	25 101 933
Small holdings and farms	5 385 015	2 755 792
Less: Income forgone	(4 679 329)	(9 034 220)
	35 770 418	37 162 953
Valuations Roll		
Residential	3 726 705 335	3 726 705 335
Commercial	388 891 161	388 891 161
State	1 455 313 620	1 455 313 620
Small holdings and farms	141 794 397	141 794 397
	5 712 704 513	5 712 704 513

The valuation on land and building are performed every 5 years. The general Valuation roll came into effect on the 01 July 2018. The basic rates of R0.0052 on the value of agricultural residential, R0.0198 on the value of commercial business land and buildings, R0.0208 on the value of state land and buildings and R0.0052 on the value of residential land and buildings are applied to determine assessment rates. These rates were agreed to the approved tariff policy.

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Dr JS Moroka Local Municipality

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	2021	2020
22. Transfers and Subsidies		
Equitable share	477 158 317	375 203 000
Municipal Infrastructure Grant	104 137 086	115 653 544
Financial Management Grant	1 871 300	1 267 060
WSIG Grant	237 842	-
EPWP Grant	2 778 699	2 011 839
	586 183 244	494 135 443

Equitable Share

In terms of section 227 of the Constitution, the equitable share grant is used to subsidise the provision of basic services and the day to day operations of the municipality.

Municipal infrastructure grant

Balance unspent at beginning of year	10 954 087	1 496 631
Current-year receipts	93 183 000	125 111 000
Conditions met - transferred to revenue	(104 137 087)	(115 653 544)
	-	10 954 087

Conditions still to be met - remain liabilities (see note 13).

The grant is used to supplement municipal capital budgets to eradicate backlogs on municipal infrastructure utilised in providing basic services. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Financial Management Grant

Balance unspent at beginning of year	967 940	-
Current-year receipts	2 600 000	2 235 000
Conditions met - transferred to revenue	(3 567 940)	(1 267 060)
	-	967 940

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

EPWP

Balance unspent at beginning of year	1 174 661	108 500
Return to Treasury	(1 174 661)	-
Current year receipts	2 050 000	3 078 000
Conditions met - transferred to revenue	(2 050 000)	(2 011 839)
	-	1 174 661

Conditions still to be met - remain liabilities (see note 13).

The grant was used to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

WSIG Grant

Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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	2021	2020
22. Transfers and Subsidies (continued)		
Balance unspent at beginning of year	237 842	237 842
Conditions met - transferred to revenue	(237 842)	-
	-	237 842

The grant was used to finance the refurbishment, operation and maintenance of the water treatment plant.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	1 585 716	1 585 716
Return to treasury	(1 585 716)	-
	-	1 585 716

Changes in level of government grants

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

23. Public contributions and donations

Department of Public Works - sale of stands	-	1 139 723
Education Training and Development Practices SETA	-	508 009
Nkangala District Municipality	7 443 579	31 069 525
	7 443 579	32 717 257

24. Revenue

Service charges	75 466 451	96 799 154
Rental of facilities and equipment	161 051	260 735
Interest received (trading)	40 737 713	48 248 692
Licences and permits	4 306 595	2 697 922
Operational revenue	7 467 908	5 802 683
Interest received - investment	1 336 113	5 900 914
Property rates	35 770 418	37 162 953
Transfers and subsidies	586 183 244	494 135 443
Public contributions and donations	7 443 579	32 717 257
Fines, Penalties and Forfeits	447 600	363 150
	759 320 672	724 088 903

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

Service charges	75 466 451	96 799 154
Rental of facilities and equipment	161 051	260 735
Interest on receivables	40 737 713	48 248 692
Licences and permits	4 306 595	2 697 922
Operational Revenue	7 467 908	5 802 683
Interest received - investment	1 336 113	5 900 914
	129 475 831	159 710 100

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Annual Financial Statements for the year ended 30 June 2021

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2021 2020

24. Revenue (continued)

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

Taxation revenue		
Property rates	35 770 418	37 162 953
Transfer revenue		
Transfers and subsidies	586 183 244	494 135 443
Public contributions and donations	7 443 579	32 717 257
Fines, Penalties and Forfeits	447 600	363 150
	629 844 841	564 378 803



Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
25. Employee related costs		
Basic	131 224 405	129 007 694
Bonus	9 990 914	10 015 761
Medical aid - company contributions	15 252 037	11 566 969
UIF	962 776	949 102
SDL	1 185 542	1 244 403
Leave pay provision	1 738 180	(1 354 608)
Pension fund contribution	27 540 327	26 317 199
Travel, motor car, accommodation, subsistence and other allowances	6 114 822	6 651 720
Overtime payments	1 535 576	866 956
Acting allowances	1 581 475	1 118 554
Housing benefits and allowances	907 756	980 017
Cellphone allowance	906 419	1 001 779
Bargaining council	144 439	59 143
Group life contributions	30 626	30 572
Standby Allowance	4 089 551	4 595 750
	203 204 845	193 051 011
Remuneration of Municipal Manager		
Annual Remuneration	-	520 377
Contributions to UIF, Medical and Pension Funds	-	134 343
Other	-	157 226
	-	811 946
Remuneration of Chief Finance Officer		
Annual Remuneration	421 483	761 683
Performance Bonuses	33 446	-
Contributions to UIF, Medical and Pension Funds	42 465	170 164
Other	-	85 147
Benefits and other allowances	59 036	209 635
	556 430	1 226 629
Remuneration of Technical Manager		
Annual Remuneration	580 546	249 950
back pay	860 388	-
Performance Bonuses	80 287	-
Contributions to UIF, Medical and Pension Funds	65 863	75 056
Other	-	35 242
Benefit and other allowances	126 134	66 875
Acting	24 043	-
	1 737 261	427 123
Remuneration of Community Development Services Manager		
Annual Remuneration	710 140	247 704
Back pay	860 388	-
Contributions to UIF, Medical and Pension Funds	189 542	88 715
Other	-	13 458
Benefits and other allowances	189 875	75 521
	1 949 945	425 398

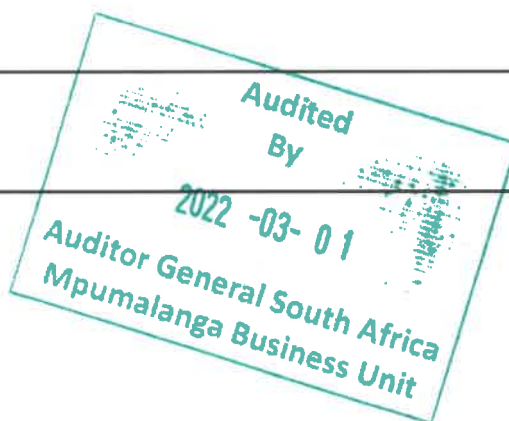
Dr JS Moroka Local Municipality

(Registration number MP316)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
25. Employee related costs (continued)		
Remuneration of Admin & Corporate Services Manager		
Annual Remuneration	369 240	311 067
Back pay	1 238 209	-
Contributions to UIF, Medical and Pension Funds	149	64 478
Other	-	38 906
Benefits and other allowances	16 074	36 614
	1 623 672	451 065
26. Remuneration of councillors		
Executive Mayor	850 990	898 821
Speaker	738 827	733 088
Chief Whip	710 800	704 961
Members of Moyoral Committee	3 490 763	3 440 393
Other councillors	18 122 428	18 044 544
	23 913 808	23 821 807
27. Depreciation and amortisation		
Property, plant and equipment	65 465 226	63 986 332
Intangible assets	-	106 638
	65 465 226	64 092 970
28. Impairment of assets		
Impairments		
Property, plant and equipment	420 846	17 783 632
29. Finance costs		
Other interest	2 822 948	3 078 168
30. Operating lease expense		
Photo copying machine		
Operating lease expenditure	3 507 896	2 567 047
31. Bad debts provision		
Bad debts written off	346 264 594	-
Movement in bad debts provision	(228 191 651)	78 872 956
	118 072 943	78 872 956



Dr JS Moroka Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
32. Contracted services		
Information Technology Services	-	9 473 039
Repairs and Maintenance	72 712 355	18 053 042
Security	36 695 067	31 662 539
Specialist Services	33 512 578	6 552 171
Other Contractors	30 729 962	23 854 515
	173 649 962	89 595 306
33. Operational Cost		
Advertising	2 307 056	1 177 164
Auditors remuneration	9 464 577	4 044 608
Bank charges	546 464	245 577
Cleaning	7 049 641	7 509 726
Refreshment	72 983	-
Insurance	4 764 225	2 109 818
Conferences and seminars	-	239 819
IT expenses	7 284 450	4 767 903
Printing and stationery	6 551 711	1 417 011
Protective clothing	9 600	11 200
Subscriptions and membership fees	2 995 010	1 120 091
Telephone and fax	222 466	259 485
Transport and freight	823 800	-
Travel - local	669 382	920 830
Electricity	24 630 870	21 951 665
Free basic services	-	200 675
Provision for Landfill site	6 470 829	(1 132 395)
Ward committee Support	4 905 067	3 494 600
Consumables	11 219 251	2 418 258
Other expenses	13 036 978	11 606 928
	103 024 360	62 362 963
34. Auditors' remuneration		
Fees	9 464 577	4 044 608

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Dr JS Moroka Local Municipality

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Notes to the Annual Financial Statements

	2021	2020
35. Cash generated from operations		
Surplus	61 974 307	189 745 039
Adjustments for:		
Depreciation and amortisation	65 465 226	64 092 970
Profit on disposal of fixed assets	1 888 061	-
Gain/loss on long service benefit	1 375 470	(881 996)
Interest on receivables	(40 737 711)	(48 248 692)
Finance costs	2 822 948	3 078 168
Impairment loss	420 846	17 783 632
Debt impairment	118 072 943	78 872 956
Movements in provisions- Landfill site	8 255 903	956 983
Donation (non cash)	(7 442 709)	(26 255 700)
Free basic services	-	254 279
Service cost	1 180 567	1 171 591
Changes in working capital:		
Inventories	(2 174 210)	454 361
Consumer receivables	(92 725 976)	(110 856 596)
Receivable non exchange transaction	(71 874)	(708 280)
Prepayments	-	(4 068)
Payables from exchange transactions	(37 158 732)	55 532 380
VAT	5 132 382	(23 733 219)
Unspent conditional grants and receipts	(14 920 246)	11 491 557
Consumer deposits	30 964	90 980
	71 388 159	212 836 345

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	69 120 208	13 544 277
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Total capital commitments

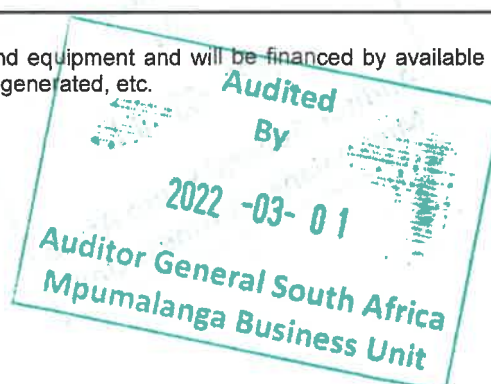
Already contracted for but not provided for	69 120 208	13 544 277
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Total commitments

Total commitments

Authorised capital expenditure	69 120 208	13 544 277
--------------------------------	------------	------------

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



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2021

2020

37. Contingencies

Contingent liabilities

1. Bopape Elizabeth Maite, OBO Kabelo Bopape/ Dr JS Moroka Local Municipality

The following matter relates to a claim against the municipality, regarding a minor child who was injured as a result of falling off a concrete water pipe and was therefore seriously injured. The Plaintiff is claiming R25 000 000,00 in damages against the Municipality

2. Sizwe Africa IT Group/ Dr JS Moroka Local Municipality

The following matter relates to a claim against the municipality for the repudiation of an equipment rental agreement for which the municipality reneged on. The Plaintiff is claiming R3 418 270,20 in damages against the Municipality

3. Elijah Mashinga/ Dr JS Moroka Local Municipality

The following matter relates to the unlawful detention of the plaintiff. The plaintiff is claiming R900 000 against the Municipality

4. Brian Tebogo/ Dr JS Moroka Local Municipality

The following matter relates to a claim by the plaintiff, whereby the plaintiff alleges that he fell into a manhole as a result of negligence by the Municipality in not ensuring manhole is closed. The Plaintiff is claiming R709 953,32 in damages against the Municipality

5. Black Achievers/ Dr JS Moroka Local Municipality

The following claim against the Municipality relates to a claim by the plaintiff for services rendered for which the municipality is still owing. The amount in damages claimed by the Plaintiff is R87 612,92 against the Municipality

6. Dr JS Moroka/ Unlawful invasion Portion 2 De Beerspruit 152

This matter relates to the illegal invasion of De Beerspruit 152 by squatters. There is no monetary value attached

7. Dr JS Moroka Local Municipality/ Unlawful invasion of land Gledbeksley Farm

This matter relates to the illegal invasion of farm Gledbeksley by squatters. There is no monetary value attached

8. Dr JS Moroka Local Municipality/ Unlawful invasion of land Allenmanskraal

This matter relates to the illegal invasion of farm Allenmanskraal by squatters. There is no monetary value attached

9. Dr JS Moroka Local Municipality/ Unlawful invasion of land Portion 12 of ERF 162 Allenmansdrift

Dr JS Moroka Local Municipality

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37. Contingencies (continued)

This matter relates to the illegal invasion of farm Portion 12 of ERF 162 Allenmansdrift by squatters.

10. Dr JS Moroka Local Municipality/ Unlawful invasion of land Vaalbank 163

This matter relates to the illegal invasion of land Vaalbank 163 by squatters. There is no monetary value attached

11. Lucus Mafetsa Attorneys/ Dr JS Moroka Local Municipality

This matter is awaiting notice of sit down. The Plaintiff is claiming damages of R3 000 000 against the Municipality

12. Mozma Trading / Dr JS Moroka Local Municipality

The claim is against the Municipality for breach of contract. The Plaintiff is claiming damages of R1 267 194,92 against the Municipality

13. Water Sanitation Services South Africa/ Dr JS Moroka Local Municipality

The matter relates to a claim by the plaintiff for services rendered for which the Municipality has not settled. The plaintiff is claiming R2 657 086,45 for damages against the Municipality

14. T. Kubheka/ Dr JS Moroka Local Municipality



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37. Contingencies (continued)

A claim at the CCMA by an ex-employee for unfair dismissal. The claim is the Total balance of employment contract plus compensation

15. Dumisani J Mashiga - this is a claim against the municipality in the amount of R700 000 in respect of wrongful arrest and detention

16. Thathazakho Taxi Association - this is a claim against the municipality which dispute relating to two rival taxi association regarding a taxi route with the municipality as one of the respondents and ordered to implement the court order.

17. Ndlovu A.J Inc - Our offices are attending to serve our bill cost upon opposing side, following which, the matter will be set down by the court for taxation. Our offices shall report further in due course. The plaintiff withdrew Action in the sum of R412 635 against the municipality, agreeing to pay the latter's party and party costs. Tax bill of costs. No risk to the municipality.

18. Audrey Sindane - Our offices are attending to serve our Bill of cost upon the opposing side, following which, the matter will be set down by the court for taxation. Our offices shall report further in due course. Defend the action for outstanding legal fees, brought by the Plaintiff.

19. Johannes Maobane - Our offices have, to date not received the written proof of authority by the Applicant's attorney, to act on behalf of all of the applicants in the matter. Our offices shall attend to deliver our mock bill and pend our file, awaiting further proof from the said attorneys. The Applicant has made application to the Pretoria high court for an order, uplifting a stay of execution on a writ for movable property against the municipality for the sum of R51 666.75 (Which amount was in terms of a bill of costs which the municipality intended and took steps to review). Defend the application brought by the Applicants in the matter, Potential risk: (Minimal given legal steps taken and lack of any response from Applicant's attorneys) R51 666,75 plus interest and legal costs.

20. Interdict Unlawful Occupation - Our offices have, following a recent site visit with Counsel in the matter, have proposed that client attend to urgently furnish our offices with a list of documents and availability of various parties for the purposes of attending to an informal and carefully planned approach (meeting) with the interested parties for the purposes of expediting settlement, removal of the two structures and buy-in by the potential occupants, into the existing development plan. Our offices shall report further in due course. Our offices have been instructed to interdict unlawful occupants from occupying Municipal owned property. Evict unlawful occupants of Municipal owned land.

21. Merchant West - Our offices have attended to write a letter to the plaintiff, requesting copies of the alleged master rental agreement, together with all supporting documentation in support of their alleged claim. Our offices shall report further in due course. Our offices have been instructed in the matter to defend a potential action by the plaintiff in terms of a letter of Demand, to make payment in the sum of R302 508.53, being monies allegedly owing in terms of a Master rental agreement for services rendered by the Plaintiff to the municipality. To defend the contemplated action in the matter.

Contingent assets



Dr JS Moroka Local Municipality

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Notes to the Annual Financial Statements

2021

2020

37. Contingencies (continued)

1. Dr JS Moroka Local Municipality/ Geomab Construction. The Municipality is claiming over-payment against the defendant. The claim is also against the members of the Close Corporation in their personal capacities. The Municipality is claiming R9 563 700 in damages against defendant.

2. J.J. Mamabolo - Our offices have been unsuccessful with settlement negotiations with the debtor herein and are attending to proceed with litigation of the matter. Municipality's claim against the Defendant; R65,047.39, plus interest and legal costs. Payment in the sum of R 65, 047.39 in respect of contractual damages in respect of a Learnership Agreement, together with interest and legal costs.

3. P.M. Mtsweni - Our offices have been unsuccessful with settlement negotiations with the debtor herein and are attending to proceed with litigation of the matter. Payment in the sum of R 47, 085.00 in respect of contractual damages in respect of a Learnership Agreement and Payment in the sum of 59, 280.85 in respect of monies erroneously paid by the Municipality to the latter, together with interest and legal costs. Municipality's total claim against the Defendant: R 106, 365.85, plus interest and legal costs.

4. T.S. Mahlangu - Our offices have been unsuccessful with settlement negotiations with the debtor herein and are attending to proceed with litigation of the matter. Payment in the sum of R 32, 831. 00 in respect of contractual damages in respect of a Learnership Agreement, together with interest and legal costs. Municipality's claim against the Defendant: R 32, 831. 00, plus interest and legal costs.

5. The curve/crystal spark JV - This is a claim by the municipality on the amount of R5 996 572.09. The curve failed to perform its obligations in terms of the agreement with the municipality.

38. Prior period error

Certain comparative figures have been adjusted to correct errors.

The effects of the correction of errors are as follows:

Statement of financial position

	Comparative figures previously reported	Correction of errors	Restated amount
Infrastructure assets	1 371 855 610	(3 111 278)	1 368 744 332
Community assets	88 328 529	(4 378 963)	83 949 566
Buildings	22 122 790	2 104 861	24 227 651
Consumer debtors	165 716 866	9 975 724	175 692 590
Plant and machinery	10 564 745	(5 264 454)	5 300 291
IT equipment	20 141 658	(1 666 092)	18 475 566
Furniture and fixtures	5 004 338	(759 226)	4 245 112
Transport assets	11 035 882	(4 362 524)	6 673 358
Office equipment	1 814 543	(699 443)	1 115 100
Total	1 696 584 961	(8 161 395)	1 688 423 566



Statement of financial performance

	Comparative figures previously reported	Correction of errors	Restated amount
Depreciation	66 172 592	(146 449)	66 026 143
Impairment loss	408 865	17 374 767	17 783 632
Debt impairment	86 908 751	(9 975 724)	76 933 027
Total	153 490 208	7 252 594	160 742 802

Dr JS Moroka Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

38. Prior period error (continued)

39. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

Market risk

Interest rate risk

The municipality's interest risk arises from unit trust of the municipality.

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 at fair value. 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.

surplus for the year would increase/decrease as a result of gains or 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 or losses on equity securities classified a available-for-sale.

40. 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.

41. Events after the reporting date

There were no material events after reporting date that required adjustments in the financial statements.:

42. Unauthorised expenditure

Opening balance	91 433 465	89 763 860
Add: Unauthorised expenditure: Current year	-	1 669 605
	91 433 465	91 433 465

The current unauthorised expenditure of R1 669 605 is due to the overspending of various votes not the total amount appropriated in the municipal approved budget.

43. Fruitless and wasteful expenditure

Opening balance	4 782 027	4 782 027
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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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43. Fruitless and wasteful expenditure (continued)

The fruitless and wasteful expenditure for current year of R0 is related to interest on over due accounts.

Mentioned matters have been referred to council committee for investigation.

44. Irregular and unauthorised expenditure

Opening balance	809 172 800	653 243 915
Add: Irregular Expenditure - current year	49 465 313	155 928 885
	858 638 113	809 172 800

Analysis of irregular expenditure

Current year	49 465 313	155 928 885
Prior years	809 172 800	653 243 915
	858 638 113	809 172 800

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3 027 491	2 203 956
Current year subscription / fee	2 610 071	3 008 715
Amount paid - previous years	(2 995 010)	(2 185 180)
	2 642 552	3 027 491

Material losses

Total loss in amount	3 676 154	2 852 830
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The water losses was determined by using actual kilolitre pumped and water billed at cost per kilolitre of R5,83 (R2,01 2020).

Audit fees

Amount paid - current year	9 464 577	4 044 608
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VAT

VAT receivable	41 314 667	46 447 049
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VAT output payables and VAT input receivables are shown in note 5

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

Councillors' arrear consumer accounts

There were no councillors that have arrear accounts outstanding for more than 90 days at 30 June 2021:

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Notes to the Annual Financial Statements

Figures in Rand

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Incident

Emergency repairs and maintenance	4 532 466	-
Other	9 893 190	-
	14 425 656	-

46. 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.

The municipality incurred expenditure amounting to R14 425 656 (2020: R0) 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.

47. Related parties

Relationships

Members of key management

Councillors

Refer to note 25

Refer to note 26&45



