



Joe Morolong Local Municipality
(Demarcation Code NC451)
Annual Financial Statements

For the year ended 30 June 2021

Joe Morolong Local Municipality

(Registration number NC451)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services to the community in a sustainable manner
Mayoral Committee	
Mayor	Councillor Leutlwetse D.D.
Speaker	Councillor Jordan V.
Councillors	Councillor Block J. Councillor Dioka S. Councillor Earabang O. Councillor Gomolemo O.N. Councillor Gwai L. Councillor Josop D. Councillor Kaebis L. Councillor Kaotsane G.G. Councillor Katong J. Councillor Kgopodithata O.H. Councillor Lentsela S. Councillor Makoku M. Councillor Matebese L. Councillor Matsioloko O. Councillor Modise K.J. Councillor Mokgautsi O. Councillor Morogong N. Councillor Sebogodi L.W Councillor Nhlapo M. Councillor Segano S. Councillor Seikaneng L.F. Councillor Sekamoeng K.P. Councillor Sephekolo M.G. Councillor Sesing T. Councillor Tagane G. Councillor Tswere N. Councillor Witbooi P.J. Councillor Lechuti K.P. (Appointed on 1 January 2021)
Grading of local authority	3
Chief Finance Officer (CFO)	Mrs B. D. Motlhaping
Accounting Officer	Mr T.M. Tlhoale
Registered Office	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474
Business Address	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474

Joe Morolong Local Municipality

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General Information

Postal Address

Private Bag X117
Mothibistad
Kuruman
8474

Bankers

Standard Bank
ABSA Bank

Auditors

Auditor General of South Africa

Attorneys

Peyper Attorneys
Morwagae Attorneys
Kgomo Attorneys

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ABSA	Amalgamated Banks of Southern Africa
FMG	Financial Management Grant
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
SALGBC	South African Local Government Bargaining Council
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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Accounting Officer's Responsibility and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended.

The Annual Financial Statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial controls established by the Municipality and places considerable importance on maintaining a strong control environment. To enable him to meet these responsibilities, he has set 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.

In the Accounting Officer's opinion, based on the information and explanations given by management, 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 Municipality is partially dependent on the government for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that it has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

The Annual Financial Statements set out on page 6-64, which have been prepared on the going concern basis, were approved by the Accounting Officer on 15 September 2021 and were signed on its behalf by:

Mr T.M. Tlhoale
Municipal Manager

Joe Morolong Local Municipality

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Audit Committee Report

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

Audit committee members and attendance

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

Name of member	Number of meetings attended
F.E. Tshimomola (Chairperson)	4
R Buys (Member)	4
M Mashati (Member)	1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2)(a) of the MFMA and Treasury Regulation 3.1.

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

Evaluation of annual financial statements

The audit committee has:

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

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

Internal audit

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

Auditor-General of South Africa

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

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	46,143,209	2,870,450
Inventories	4	1,941,763	1,811,099
Other Receivables	5	1,038,424	234,322
Receivables from Exchange Transactions	6	25,640,738	159,562,125
Receivables from Non-Exchange Transactions	7	30,740,646	114,200,891
VAT receivable	8	33,365,400	26,410,061
		138,870,180	305,088,948
Non-Current Assets			
Property, Plant and Equipment	9	1,358,927,155	1,372,865,922
Intangible Assets	10	948,989	1,730,368
		1,359,876,144	1,374,596,290
TOTAL ASSETS		1,498,746,324	1,679,685,238
LIABILITIES			
Current Liabilities			
Other Financial Liabilities	11	194,978	194,277
Payables From Exchange Transactions	12	58,539,735	57,278,736
Consumer Deposits	13	23,878	32,918
Employee Benefit Obligation	15	184,407	172,802
Unspent Conditional Grants and Receipts	14	4,885,150	365,426
		63,828,148	58,044,159
Non-Current Liabilities			
Other Financial Liabilities	11	697,451	806,864
Employee Benefit Obligation	15	2,308,044	1,921,784
Provisions	16	2,397,233	1,918,095
		5,402,728	4,646,743
TOTAL LIABILITIES		69,230,876	62,690,902
NET ASSETS		1,429,515,448	1,616,994,336
Accumulated Surplus		1,429,515,448	1,616,994,336

* See Note 43

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
REVENUE			
Revenue From Exchange Transactions			
Service Charges	18	21,996,892	22,456,098
Rental of Facilities and Equipment	19	49,752	51,461
Interest - Exchange Transactions	20	5,676,260	6,675,891
Other Income	21	1,183,177	545,972
Interest Received	22	1,974,922	1,717,478
Total Revenue From Exchange Transactions		30,881,003	31,446,900
Revenue From Non-Exchange Transactions			
Taxation Revenue			
Property Rates	23	77,529,730	42,843,721
Interest - Non Exchange Transactions	20	-	3,194,378
Transfer Revenue			
Government Grants and Subsidies	24	274,217,986	257,513,726
Public Contributions and Donations	25	19,396,891	9,633,164
Total Revenue From Non-Exchange Transactions		371,144,607	313,184,989
Total Revenue	17	402,025,610	344,631,889
EXPENDITURE			
Employee Related Costs	26	(70,891,684)	(63,573,063)
Remuneration of Councillors	27	(11,632,600)	(12,016,542)
Depreciation and Amortisation	28	(113,497,748)	(126,427,290)
Impairment loss/ Reversal of impairments	44	(317,344,180)	7,665,229
Finance Costs	29	(265,264)	(243,891)
Bulk Purchases	30	(12,325,176)	(11,000,822)
Transfers and Subsidies	31	(19,667,086)	(40,261,831)
Loss on disposal of assets and liabilities		(7,446,390)	-
Actuarial losses		(11,605)	-
General Expenses	32	(67,946,651)	(62,543,461)
TOTAL EXPENDITURE		(621,028,384)	(308,401,671)
(Deficit) /Surplus for the year		(219,002,774)	36,230,218

* See Note 43

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Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 01 July 2019	1,580,764,118	1,580,764,118
Changes in Net Assets		
Surplus for the year	36,230,218	36,230,218
Total Changes	36,230,218	36,230,218
Opening balance as previously reported	1,650,802,998	1,650,802,998
Adjustments		
Correction of errors	(2,284,776)	(2,284,776)
Restated* Balance at 01 July 2020 as restated*	1,648,518,222	1,648,518,222
Changes in Net Assets		
Surplus for the year	(219,002,774)	(219,002,774)
Total Changes for the year	(219,002,774)	(219,002,774)
Balance at 30 June 2021	1,429,515,448	1,429,515,448

* See Note 43

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Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		42,843,721	37,733,769
Sale of goods and services		34,627,158	24,387,043
Grants	24&14	211,136,000	247,697,027
Interest Income	22	1,717,478	1,517,713
Other receipts		819,941	1,252,628
		<u>291,144,298</u>	<u>312,588,180</u>
Payments			
Employee Costs		(76,146,324)	(77,755,612)
Suppliers		(93,777,435)	(148,593,621)
Finance Costs	29	(243,891)	(201,187)
		<u>(170,167,650)</u>	<u>(226,550,420)</u>
Net cash flows from operating activities		<u>120,976,648</u>	<u>86,037,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(69,107,952)	(119,438,456)
Purchase of other intangible assets	10	(177,825)	(136,821)
Net cash flows from investing activities		<u>(69,285,777)</u>	<u>(119,575,277)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities	11	(108,712)	(197,766)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(108,712)</u>	<u>(197,766)</u>
Net increase/(decrease) in cash and cash equivalents		43,272,759	(1,068,313)
Cash and cash equivalents at the beginning of the year		2,870,450	3,938,763
Cash and Cash Equivalents at the End of the Year	3	<u>46,143,209</u>	<u>2,870,450</u>

* See Note 43

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from Exchange Transactions						
Service Charges	25,542,950	7,078,181	32,621,131	21,996,892	(10,624,239)	[1]
Rental of facilities and equipment	-	-	-	49,752	49,752	[2]
Interest received (trading)	-	-	-	5,676,260	5,676,260	[3]
Other income	28,222,749	75,052	28,297,801	1,183,177	(27,114,624)	[4]
Interest received - investment	650,000	-	650,000	1,974,922	1,324,922	[5]
Total revenue from exchange transactions	54,415,699	7,153,233	61,568,932	30,881,003	(30,687,929)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22,474,335	29,431,287	51,905,622	77,529,730	25,624,108	[6]
Transfer revenue						
Government grants & subsidies	174,909,506	10,474,896	185,384,402	274,217,986	88,833,584	[7]
Public contributions and donations	-	-	-	19,396,891	19,396,891	[8]
Other own revenue	-	-	-	-	-	
Total revenue from non-exchange transactions	197,383,841	39,906,183	237,290,024	371,144,607	133,854,583	
Total revenue	251,799,540	47,059,416	298,858,956	402,025,610	103,166,654	
Expenditure						
Employee Costs	87,899,055	(5,345,088)	82,553,967	(70,891,684)	(153,445,651)	[9]
Remuneration of councillors	15,791,510	(2,395,454)	13,396,056	(11,632,600)	(25,028,656)	[10]
Depreciation and amortisation	13,833,046	133,419,875	147,252,921	(113,497,748)	(260,750,669)	[11]
Impairment loss/ Reversal of impairments	-	-	-	(317,344,180)	(317,344,180)	[11]
Finance costs	196,363	180,000	376,363	(265,264)	(641,627)	[12]
Bulk purchases	21,262,348	(1,495,999)	19,766,349	(12,325,176)	(32,091,525)	[13]
Transfers and Subsidies	1,036,800	(529,679)	507,121	(19,667,086)	(20,174,207)	[14]
General Expenses	97,139,322	40,200,493	137,339,815	(67,946,651)	(205,286,466)	[15]
Total expenditure	237,158,444	164,034,148	401,192,592	(613,570,389)	(1,014,762,981)	
Operating deficit	488,957,984	211,093,564	700,051,548	(211,544,779)	(911,596,327)	
Loss on disposal of assets and liabilities	-	-	-	(7,446,390)	(7,446,390)	
Transfers and Subsidies - Capital	107,023,749	-	107,023,749	-	(107,023,749)	
Actuarial gains/losses	-	-	-	(11,605)	(11,605)	
	107,023,749	-	107,023,749	(7,457,995)	(114,481,744)	
Deficit before taxation	595,981,733	211,093,564	807,075,297	(219,002,774)	(1,026,078,071)	
Surplus for the year	595,981,733	211,093,564	807,075,297	(219,002,774)	(1,026,078,071)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,666,576	5,500,335	7,166,911	1,941,763	(5,225,148)	[16]
Receivables from Non-Exchange Transactions	-	-	-	30,740,646	30,740,646	[17]
VAT receivable	30,139,575	(3,614,592)	26,524,983	33,365,400	6,840,417	[18]
Other Receivables	-	-	-	1,038,424	1,038,424	[19]
Receivables from Exchange Transactions	162,266,024	111,497,008	273,763,032	25,640,738	(248,122,294)	[20]
Call investment deposits	-	(40,334,241)	(40,334,241)	-	40,334,241	[22]
Cash and Cash Equivalents	161,610,750	(144,622,300)	16,988,450	46,143,209	29,154,759	[23]
	355,682,925	(71,573,790)	284,109,135	138,870,180	(145,238,955)	
Non-Current Assets						
Property, Plant and Equipment	1,392,551,861	239,264,463	1,631,816,324	1,358,927,155	(272,889,169)	[24]
Intangible Assets	862,976	1,820,370	2,683,346	948,989	(1,734,357)	[25]
	1,393,414,837	241,084,833	1,634,499,670	1,359,876,144	(274,623,526)	
Total Assets	1,749,097,762	169,511,043	1,918,608,805	1,498,746,324	(419,862,481)	
Liabilities						
Current Liabilities						
Other Financial Liabilities	196,450	(2,173)	194,277	194,978	701	[26]
Payables From Exchange Transactions	86,299,273	(31,813,866)	54,485,407	58,539,739	4,054,332	[27]
Consumer deposits	10,635	22,283	32,918	23,878	(9,040)	[28]
Employee Benefit Obligation	-	-	-	184,407	184,407	[29]
Unspent Conditional Grants and Receipts	-	-	-	4,885,150	4,885,150	[30]
Provisions	3,237,087	(3,064,285)	172,802	-	(172,802)	[31]
Bank Overdraft	4,578	-	4,578	-	(4,578)	
	89,748,023	(34,858,041)	54,889,982	63,828,152	8,938,170	
Non-Current Liabilities						
Other Financial Liabilities	1,002,457	(832,485)	169,972	697,451	527,479	[26]
Employee Benefit Obligation	-	-	-	2,308,044	2,308,044	[29]
Provisions	3,685,434	154,445	3,839,879	2,397,233	(1,442,646)	[31]
	4,687,891	(678,040)	4,009,851	5,402,728	1,392,877	
Total Liabilities	94,435,914	(35,536,081)	58,899,833	69,230,880	10,331,047	
Net Assets	1,654,661,848	205,047,124	1,859,708,972	1,429,515,444	(430,193,528)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated Surplus	1,654,661,848	205,047,124	1,859,708,972	1,429,515,444	(430,193,528)	

Joe Morolong 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.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Impairment testing

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

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

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives and residual values

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

Effective interest rate

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

Allowance for doubtful debts

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

Long Service Awards

The long service awards liability arises from the municipality being part of a Collective Agreement and Conditions of Service Northern Cape Division of SALGBC. The long service award plan is a defined benefit plan accounted for in terms of GRAP.

1.4 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item are expected to flow to the Municipality, and the cost of the inventories can be measured reliably.

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are issued, 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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Accounting Policies

1.5 Financial Instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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1.5 Financial Instruments (continued)

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

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

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

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

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

Classification

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

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions	Financial asset measured at amortised cost
VAT Receivable	Financial asset measured at fair value
Cash and Cash Equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Financial Liabilities	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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1.5 Financial Instruments (continued)

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

Fair value measurement considerations

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

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

Reclassification

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

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

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

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1.5 Financial Instruments (continued)

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.5 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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1.5 Financial Instruments (continued)

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

Presentation

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

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

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

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

1.6 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand (including petty cash), short-term investments and cash in the bank account. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with a registered banking institutions, with maturity of three months or less, subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised costs.

Bank overdrafts are recorded based on the facility utilised. Finance costs on bank overdrafts are expenses as when they are incurred. Amounts owing in respect of bank overdrafts are recognised as financial liabilities carried at amortised cost.

1.7 Property, Plant and Equipment

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

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

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

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.

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1.7 Property, Plant and Equipment (continued)

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 except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated 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	Infinite years
Buildings	Straight line	10-50 years
Plant and Machinery	Straight line	2-15 years
Computer Equipment	Straight line	5-7 years
Office Equipment	Straight line	3 years
Furniture and Fittings	Straight line	2-7 years
Infrastructure Assets	Straight line	10-80 years
Motor Vehicles	Straight line	7 years
Leased Assets	Straight line	3-5 years
Other machinery & equipment	Straight line	7 years

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

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

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

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

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

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

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1.7 Property, Plant and Equipment (continued)

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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.

1.9 Intangible Assets

An asset is identifiable if it either:

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

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

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1.9 Intangible Assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.10 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

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1.10 Construction contracts and receivables (continued)

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Joe Morolong Local Municipality

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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1.11 Impairment of cash-generating assets (continued)

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

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Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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1.13 Provisions and contingencies (continued)

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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

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

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

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

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

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Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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.

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.15 Revenue from non-exchange transactions

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

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Donations and Contributions

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

1.16 Investment Income

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

1.17 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.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 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.

1.20 Fruitless and Wasteful Expenditure

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

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

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Accounting Policies

1.21 Irregular Expenditure

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

1.22 Budget information

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

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

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

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

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

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

1.23 Related parties

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.24 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.

1.25 Comparative figures

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

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Notes to the Annual Financial Statements

Figures in Rand

2021

2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact

3. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

Bank balances	19,465,207	1,220,081
Short-Term Deposits	26,678,002	1,650,369
	46,143,209	2,870,450

The municipality had the following bank accounts

Account number / description	Bank Statement Balances		Cash Book Balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Standard Bank - Primary Account: 302854187	18,950,624	6,275,512	18,950,842	991,927
ABSA - Primary Account: 4054385292	44,054	228,154	39,354	228,154
ABSA - Call Account: 92888820487	-	-	-	-
ABSA - Fixed Deposit: 2078093801	360,323	360,323	372,326	360,323
ABSA - Fixed Deposit: 2078344125	164,120	158,829	164,120	158,829
FNB - Call Deposit: 62247117709	-	-	-	-
ABSA - Fixed Deposits: 2073969801	-	-	-	-
ABSA - Depositor Plus: 9297200038	2,495	2,495	2,495	2,495
ABSA - Fixed Deposit: 20-7973-4210	25,477,781	-	25,477,781	-
Nedbank - Call Deposit: 788112840/000005	1,797	1,739	1,787	1,739
Standard Bank - Call Account: 548529973002	5,850	5,817	5,837	5,817
Standard Bank - Money Market Call Account: 548529973003	291	291	291	291
Standard Bank - Fixed Deposit: 5088662043-018	309,332	305,309	309,332	305,309
Standard Bank - Fixed Deposit: 5088662043-019	127,179	122,913	127,179	122,913
ABSA-Fixed Deposits:93-5308-1205	380,730	692,653	691,865	692,653
Total	45,824,576	8,154,035	46,143,209	2,870,450

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Figures in Rand	2021	2020
4. Inventories		
Consumable Stores	1,912,549	1,778,639
Water Inventory	29,214	32,460
	1,941,763	1,811,099
The Municipality's inventory is measured on FIFO (First In First Out) basis .		
Inventory pledged as security		
There was no inventory pledged as security.		
5. Other Receivables		
Fuel prepayments	114,922	114,922
Other Debtors	923,502	119,400
	1,038,424	234,322
6. Receivables from exchange transactions		
Gross Balances		
Electricity	9,893,992	7,482,752
Water	76,743,083	67,652,585
Sewerage	15,225,653	12,161,889
Refuse	9,945,652	7,973,360
Sundry debtors	56,350,755	64,433,959
	168,159,135	159,704,545
Less: Allowance for Impairment		
Electricity	(9,287,915)	(7)
Water	(64,254,236)	(3,575)
Sewerage	(12,744,704)	(2,376)
Refuse	(9,194,219)	-
Sundry debtors	(47,037,323)	(136,462)
	(142,518,397)	(142,420)
Net Balance		
Electricity	606,077	7,482,745
Water	12,488,847	67,649,010
Sewerage	2,480,949	12,159,513
Refuse	751,433	7,973,360
Sundry debtors	9,313,432	64,297,497
	25,640,738	159,562,125
Electricity		
Current (0 -30 days)	409,238	176,102
31 - 60 days	520,367	145,276
61 - 90 days	71,563	52,652
91 - 120 days	465,484	88,250
121 - 150 days	63,670	791,173
> 150 days	8,363,669	7,973,417
	9,893,991	9,226,870

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
6. Receivables from exchange transactions (continued)		
Water		
Current (0 -30 days)	8,356,464	1,599,392
31 - 60 days	2,592,872	1,602,226
61 - 90 days	962,458	1,413,440
91 - 120 days	1,339,955	1,536,370
121 - 150 days	883,013	12,038,889
> 150 days	62,608,320	53,327,763
	76,743,082	71,518,080
Sewerage		
Current (0 -30 days)	628,391	280,448
31 - 60 days	422,978	269,140
61 - 90 days	347,753	247,805
91 - 120 days	346,136	245,918
121 - 150 days	344,634	1,860,624
>150days	13,135,761	9,603,613
	15,225,653	12,507,548
Refuse		
Current (0 -30 days)	383,819	167,027
31 - 60 days	262,863	159,579
61 - 90 days	213,965	155,032
91 - 120 days	212,270	153,821
121 - 150 days	209,973	1,168,120
> 150 days	8,662,763	7,718,749
	9,945,653	9,522,328
Sundry Debtors		
Current (0 -30 days)	(6,283,596)	374,877
31 - 60 days	3,455	282,459
61 - 90 days	156,349	55,464
91 - 120 days	43,911	226,408
121 - 150 days	3,455	605,926
> 150 days	62,467,634	62,870,608
	56,391,208	64,415,742
Reconciliation of allowance for impairment		
Balance at beginning of the year	(142,420)	54,056,948
Contributions to allowance	(142,518,397)	(7,628,444)
Reversal of allowance	142,420	(46,570,924)
	(142,518,397)	(142,420)
Receivables from exchange transactions pledged as security		
There were no Receivables from exchange transactions pledged as security.		
Receivables from exchange transactions past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	3,494,317	3,260,936
2 months past due	3,802,535	3,062,070
3 months past due	1,752,088	2,539,735

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7. Receivables from Non-Exchange Transactions		
Property rates	202,671,363	157,072,214
Allowance for Impairment	(171,930,717)	(42,871,323)
	30,740,646	114,200,891
Receivables from Non-Exchange Transactions pledged as security		
There were no Receivables from non-exchange transactions pledged as security.		
Receivables from Non-Exchange Transactions past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	8,719,671	663,090
2 months past due	8,488,072	603,390
3 months past due	8,485,919	615,343
8. VAT receivable		
VAT	33,365,400	26,410,061

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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	5,101,700	-	5,101,700	5,101,701	-	5,101,701
Buildings	53,208,406	(30,049,352)	23,159,054	53,210,364	(28,575,204)	24,635,160
Furniture and Office equipment	4,466,248	(3,446,077)	1,020,171	6,338,075	(4,848,274)	1,489,801
Transport Assets	7,882,751	(3,422,715)	4,460,036	32,822,358	(25,941,167)	6,881,191
Computer Equipment	2,561,876	(1,821,489)	740,387	2,808,861	(1,797,384)	1,011,477
Infrastructure	2,979,319,747	(1,693,135,014)	1,286,184,733	2,902,661,691	(1,608,707,687)	1,293,954,004
Community	82,958,419	(44,793,485)	38,164,934	82,076,092	(42,498,315)	39,577,777
Machinery and Equipment	774,233	(678,093)	96,140	2,107,563	(1,892,752)	214,811
Total	3,136,273,380	(1,777,346,225)	1,358,927,155	3,087,126,705	(1,714,260,783)	1,372,865,922

Reconciliation of property, plant and equipment - June 2021

	Opening Carrying Value	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5,101,701	-	-	-	-	-	5,101,700
Buildings	24,635,160	-	(321)	-	(1,193,814)	(281,970)	23,159,054
Furniture and Office equipment	1,489,801	-	-	-	(468,836)	(793)	1,020,171
Transport Assets	6,881,191	-	-	-	(2,421,155)	-	4,460,036
Computer Equipment	1,011,477	-	(664)	-	(269,177)	(1,249)	740,387
Infrastructure	1,293,954,004	69,107,952	(6,647,163)	39,858,808	(106,099,818)	(3,989,050)	1,286,184,733
Community	39,577,777	-	(4,859)	559,405	(1,967,389)	-	38,164,934
Machinery and Equipment	214,811	-	-	-	(118,355)	(316)	96,140
	1,372,865,922	69,107,952	(6,653,007)	40,418,213	(112,538,544)	(4,273,378)	1,358,927,155

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9. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - June 2020

	Opening Carrying Value	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	5,101,701	-	-	-	-	-	5,101,701
Buildings	25,722,868	116,046	-	-	(1,203,755)	-	24,635,160
Furniture and office equipment	2,349,114	-	(5,234)	-	(827,020)	(27,059)	1,489,801
Motor vehicles	12,606,031	-	-	-	(5,724,840)	-	6,881,191
Computer Equipment	768,547	693,934	(70,197)	-	(316,836)	(63,971)	1,011,477
Infrastructure	1,331,302,619	66,649,691	(492,674)	11,888,215	(115,067,017)	(326,830)	1,293,954,004
Community	41,120,263	-	-	434,500	(1,976,166)	(820)	39,577,777
Machinery and equipment	606,594	-	(47,639)	-	(341,798)	(2,346)	214,811
	1,419,577,737	67,459,671	(615,744)	12,322,715	(125,457,432)	(421,026)	1,372,865,922

Pledged as security

None of the above Property, plant and equipment has been pledged as security:

Reconciliation of Work-in-Progress June 2021

	Included within Infrastructure	Total
Opening balance	110,391,946	110,391,946
Additions/capital expenditure	118,600,792	118,600,792
Transferred to completed items	(78,182,579)	(78,182,579)
	150,810,159	150,810,159

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9. Property, Plant and Equipment (continued)

Reconciliation of Work-in-Progress June 2020

	Included within Infrastructure	Total
Opening balance	98,069,232	98,069,232
Additions/capital expenditure	78,972,405	78,972,405
Transferred to completed items	(66,649,691)	(66,649,691)
	110,391,946	110,391,946

Expenditure incurred to repair and maintain property, plant and equipment

Buildings	312,178	180,943
Electrical Maintenance	268,010	-
Vehicle Maintenance	2,299,930	522,960
Water Maintenance	191,180	-
Waste Water Maintenance	142,900	58,761
	3,214,198	762,664

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.

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	4,391,473	(3,442,484)	948,989	5,722,390	(3,992,022)	1,730,368

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Amortisation	Total
Computer Software	1,730,368	177,825	(959,204)	948,989

Reconciliation of intangible assets - June 2020

	Opening balance	Additions	Amortisation	Total
Computer Software	2,563,404	136,821	(969,857)	1,730,368

Pledged as security

There were no intangible assets that were pledged as security

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11. Other financial liabilities		
At amortised cost		
Development Bank of South Africa - Short Term Portion	194,978	194,277
Development Bank of South Africa - Long Term Portion	697,451	806,864
	892,429	1,001,141
Total other financial liabilities	892,429	1,001,141
Non-current liabilities		
At amortised cost	697,451	806,864
Current liabilities		
At amortised cost	194,978	194,277
Defaults and breaches		
<p>The loan accrues interest at a fixed rate of 8.848%. Any amounts in arrears accrue interest at a fixed rate of 10.848%. The capital is payable in bi-annual installments of R48 374.01 over 20 years. The interest portion is repayable in bi-annual instalments of R49 114.75.</p>		
<p>The municipality defaulted in paying installments during the period ended 30 June 2021.</p>		
12. Payables From Exchange Transactions		
Trade Payables	35,924,710	25,643,260
Debtors with credit balances	5,378,760	5,193,558
Payables to National Treasury	673,330	335,040
Accruals	10,980,026	6,484,978
Leave Accrued	4,864,731	7,417,591
Accrued Managers Structured Bonus	-	91,353
Other creditors	(1,228,221)	555,752
Retention Fees	(212,056)	8,804,716
13th Cheque	2,904,174	2,525,160
Kumba Graduate Programme	-	185,202
Unallocated Deposits	(745,719)	42,126
	58,539,735	57,278,736
13. Consumer Deposits		
New Water Connections	23,878	32,918
14. Unspent Conditional Grants and Receipts		
Unspent Conditional Grants and Receipts comprises of:		
Unspent Conditional Grants and Receipts		
Financial Management Grant (FMG)	-	341,602
Municipal Infrastructure Grant (MIG)	2,243,108	-
Library Grant	-	23,824
Water Services Infrastructure Grant (WSIG)	2,642,042	-
	4,885,150	365,426

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14. Unspent Conditional Grants and Receipts (continued)		
Movement during the year		
Opening balance	365,426	-
Additions	300,944,911	122,944,000
Income recognition during the year	(281,252,827)	(122,578,574)
Undefined Difference	(15,172,360)	-
	4,885,150	365,426

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

15. Employee benefit obligations

Defined benefit plan

The employee benefit obligations relate to long service bonus awards.

Long service bonus awards

The municipality has an obligation to provide long service bonus awards to all its permanent employees. In terms of the municipality's policies and practice, long service bonus awards are offered for every 5 years of completed service from 10 years to 45 years.

The actuarial valuation of the present value of the obligation at 30 June 2021 was carried out by One Pangaea Expertise and Solutions.

The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

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

Carrying value

Present value of the defined benefit obligation at the beginning of the year	(2,492,451)	(2,094,586)
Non-current liabilities	(2,308,044)	(1,921,784)
Current liabilities	(184,407)	(172,802)
	(2,492,451)	(2,094,586)

Net expense recognised in the statement of financial performance

Current service cost	229,220	237,771
Interest cost	157,040	150,940
Actuarial (gains) losses	184,407	30,329
Settlement	(172,802)	(238,008)
	397,865	181,032

Long service bonus awards carrying value

Opening balance	2,094,586	1,898,636
Current Service Cost	229,220	237,771
Current Interest Cost	157,040	150,940
Expected Benefit Payments	(172,802)	(238,008)
Actuarial Gain or Loss	184,407	45,247
	2,492,451	2,094,586

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15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.17 %	7.82 %
Expected salary increase rate	5.64 %	3.86 %
Net discount rate	2.39 %	3.81 %
CPI	4.64 %	2.86 %

The municipality offers employees Long Service Awards for every five years of service completed, from ten years of services to forty-five years of service. Total Long Service Award liability is the present value of the total Long Service Award expected to become payable under the employer's current arrangements and bases on assumptions made. This may be regarded as the amount of money that should be set aside present day terms to cover all expected Long Service Award payments for current year.

16. Provisions

Reconciliation of provisions - June 2021

	Opening Balance	Passage of time - Interest	Change in estimate	Total
Environmental rehabilitation	1,918,095	163,325	315,813	2,397,233

Reconciliation of provisions - June 2020

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	1,968,050	(49,955)	1,918,095

17. Revenue

Service Charges	21,996,892	22,456,098
Rental of Facilities and Equipment	49,752	51,461
Interest on Arrear Accounts	5,676,260	6,675,891
Other income	1,183,177	545,972
Interest Received on Investment	1,974,922	1,717,478
Property Rates	77,529,730	42,843,721
Interest, Dividends and Rent on Land	-	3,194,378
Government Grants and Subsidies	274,217,986	257,513,726
Public contributions and donations	19,396,891	9,633,164
	402,025,610	344,631,889

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

Service Charges	21,996,892	22,456,098
Rental of Facilities and Equipment	49,752	51,461
Interest on Arrear Accounts	5,676,260	6,675,891
Sundry Income	1,183,177	545,972
Interest Received on Investment	1,974,922	1,717,478
	30,881,003	31,446,900

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17. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property Rates	77,529,730	42,843,721
Interest, Dividends and Rent on Land	-	3,194,378
Transfer revenue		
Government Grants and Subsidies	274,217,986	257,513,726
Public contributions and donations	19,396,891	9,633,164
	371,144,607	313,184,989
18. Service Charges		
Sale of Electricity	7,486,596	3,786,068
Sale of Water	10,505,979	14,629,438
Refuse Removal	1,694,698	1,439,839
Sewerage and Sanitation Charges	2,309,619	2,600,753
	21,996,892	22,456,098
19. Rental of facilities and equipment		
Premises		
Premises	-	18,307
Facilities and Equipment		
Rental of Facilities	54,843	33,154
Rental of equipment	(5,091)	-
	49,752	33,154
	49,752	51,461
20. Interest on arrear accounts		
Interest - Exchange Transactions	5,676,260	6,675,891
Interest - Non - Exchange Transactions	-	3,194,378
	5,676,260	9,870,269
21. Other Income		
Photocopies	2,694	2,525
Admin Fees	50,696	695
Telephone Cost Reclaimed	-	11,913
Tender documents	458,828	99,572
Building Plans	72,726	6,525
Cemetery Fees	252	139
Insurance Claims Fees	-	424,551
Fines and Library	-	52
Parking Fees	31,800	-
Skills Development Levy Refund	544,325	-
Collection Charges	21,856	-
	1,183,177	545,972

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22. Interest Received		
Interest revenue		
Investments	1,830,163	1,143,479
Bank	144,759	573,999
	1,974,922	1,717,478
23. Property Rates		
Rates received		
Residential	10,545,672	12,288,317
Business	35,758,736	21,949,976
State	14,781,758	10,385,504
Mining	3,461,429	2,791,503
Farm Properties	6,789,155	-
Agricultural	5,195,516	5,611,161
Other Categories	73,299	-
Public Benefit Organisation	924,165	-
Less: Rebates	-	(10,182,740)
	77,529,730	42,843,721

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014.

Rates are levied on an annual basis with the final date for payment being Tuesday, 30 June 2020. Interest is levied on overdue accounts at prime plus 1% per annum.

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24. Government Grants and Subsidies

Operating grants

Equitable Share	159,596,000	142,240,000
Financial Management Grant	3,023,824	2,338,399
Library Grant	-	1,266,177
Disaster Grant	-	125,000
LGSETA	-	211,812
	162,619,824	146,181,388

Capital grants

Municipal Infrastructure Grant	56,656,204	60,025,000
Expanded Public Works Programme	1,583,000	1,318,999
Water Service Infrastructure	53,358,958	49,988,339
	111,598,162	111,332,338
	274,217,986	257,513,726

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Financial Management Grant

Balance unspent at beginning of year	341,602	-
Current-year receipts	3,000,000	2,680,000
Conditions met - transferred to revenue	(3,341,602)	(2,338,398)
	-	341,602

Water Services Infrastructure Grant

Current-year receipts	56,001,000	50,000,000
Conditions met - transferred to revenue	(53,358,958)	(50,000,000)
	2,642,042	-

Expanded Public Works Programme

Current-year receipts	1,583,000	1,318,999
Conditions met - transferred to revenue	(1,583,000)	(1,318,999)
	-	-

Conditions still to be met - remain liabilities (see note 14).

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

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Figures in Rand	2021	2020
24. Government Grants and Subsidies (continued)		
Municipal Infrastructure Grant		
Current-year receipts	58,896,000	57,023,750
Conditions met - transferred to revenue	(56,656,204)	(57,023,750)
	2,239,796	-
Conditions still to be met - remain liabilities (see note 14).		
Provincial Department of Housing Grant		
Balance unspent at beginning of year	-	(331,727)
Current-year receipts	-	1,518,000
Conditions met - transferred to revenue	-	(1,186,273)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
25. Public contributions and donations		
Kumba Graduate Internship	300,899	726,648
Assmang Mining Indaba	-	35,426
Magobing West Water Supply	-	8,871,090
Public contributions and donations 7	19,095,992	-
	19,396,891	9,633,164
The municipality received funds from Sishen Iron Ore - Kumba for the eradication of poverty and improving the unemployment rate in South Africa. Based on the agreement the municipality receives a donation to pay stipends for interns.		
26. Employee related costs		
Basic	37,041,066	38,347,351
Bonus	3,464,543	2,642,249
Medical Aid	5,019,006	4,459,055
UIF	598,574	330,590
SDL	876,559	431,750
Other payroll levies	116,851	-
Leave Pay	165,647	569,118
Short term benefit 1	182,569	-
Short term benefit 2	206,608	-
Pension Fund	7,900,781	5,829,075
Travel Allowances	1,094,462	638,562
Overtime	2,918,992	2,344,842
Long Service Costs	113,747	188,437
Acting allowances	3,093,826	-
Transport Allowances	2,859,979	4,488,892
Housing Benefit Allowances	2,783,911	2,467,860
Cellphone Allowance	1,216,724	512,852
Industrial Council	923,224	(32,485)
Rural Allowance	85,395	354,915
Other # 8	229,220	-
	70,891,684	63,573,063

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Figures in Rand	2021	2020
26. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	711,253	707,491
Public Office Allowance	36,721	36,000
Bonus	86,856	86,856
Backpay	34,800	-
Housing Allowance	104,856	104,856
Transport Allowance	397,000	396,000
Rural Allowance	6,969	-
	1,378,455	1,331,203
Remuneration of Chief Finance Officer		
Annual Remuneration	568,252	483,211
Public Office Allowance	42,500	12,000
Acting Allowance	-	146,080
Bonus	-	39,981
Back Pay	109,011	-
Cellphone Allowance	14,400	11,400
Housing Allowance	175,600	40,884
Transport Allowance	228,000	145,978
Rural Allowance	101,435	-
	1,239,198	879,534
Remuneration of Corporate Service Director		
Annual Remuneration	488,548	453,616
Public Office Allowance	119,182	85,524
Backpay	28,572	23,800
Cellphone Allowance	27,378	14,400
Housing Allowance	204,422	196,015
Transport Allowance	202,200	222,000
Rural Allowance	101,435	-
	1,171,737	995,355
Remuneration of Community Service Director		
Annual Remuneration	550,289	455,064
Public Officer Allowance	82,680	-
Acting Allowance	-	293,550
Bonus	-	38,130
Backpay	39,530	24,907
Cellphone Allowance	14,400	12,300
Housing Allowance	84,000	11,904
Transport Allowance	198,002	62,660
Rural Allowance	91,497	-
	1,060,398	898,515

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Figures in Rand	2021	2020
26. Employee related costs (continued)		
Remuneration for Technical Services Director		
Annual Remuneration	493,346	524,639
Acting Allowance	-	67,008
Bonus	-	43,960
Backpay	-	2,876
Cellphone Allowance	10,800	10,800
Housing Allowance	151,799	10,912
Transport Allowance	113,849	162,000
Rural Allowance	75,899	-
	845,693	822,195
Remuneration for Local Economic Development Manager		
Annual Remuneration	572,961	441,214
Public Office Allowance	38,591	79,517
Bonus	36,000	-
Back Pay	28,572	22,373
Cellphone Allowance	14,400	14,400
Housing Allowance	166,800	160,400
Transport Allowance	236,000	230,000
Rural Allowance	101,435	-
	1,194,759	947,904
27. Remuneration of Councillors		
Executive Mayor	827,077	-
Chief Whip	1,858,216	-
Mayoral Committee Members	3,414,028	-
Ordinary Councillors	5,533,279	5,329,532
Travel Allowance	-	4,205,841
Pension Fund	-	822,904
Data and Cellphone Allowance	-	1,176,600
Public Office Allowance	-	481,665
	11,632,600	12,016,542
28. Depreciation and Amortisation		
Intangible assets	959,204	969,857
Property, Plant and Equipment	112,538,544	125,457,433
	113,497,748	126,427,290
29. Finance Costs		
Current borrowings	86,469	243,891
Other interest paid	178,795	-
	265,264	243,891
30. Bulk purchases		
Electricity	6,072,385	5,654,973
Water	6,252,791	5,345,849
	12,325,176	11,000,822

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Figures in Rand	2021	2020
31. Transfers and subsidies		
Other subsidies		
Dry Sanitation VIP	17,188,374	33,465,194
Indigent subsidies	2,478,712	3,345,743
Other Transfers	-	3,450,894
	19,667,086	40,261,831
32. General Expenses		
Accommodation and travel	1,285,993	2,109,364
Advertisement	151,404	100,702
Auditors Remuneration	3,803,114	4,086,360
Bank Charges	243,453	246,207
Cemetery Cost	-	544,247
Cleaning	117,208	186,352
Commission paid	959,553	-
Community Development and Training	-	129,200
Community Participation and HIV	-	208,386
Computer Expenses	1,660,739	200,420
Conferences and Seminars	927,341	139,790
Consulting and professional fees	24,922,155	13,899,543
Settlement of dispute	-	1,706,161
Donations	1,971,717	-
Entertainment	217,514	358,103
Learnerships and Internships	849,676	-
Fuel and Oil	4,589,339	5,716,262
Hostel charges	-	1,000
IT Expenses	-	1,397,699
Insurance	1,654,244	1,438,448
Levies	-	75,000
Magazines, Books and Periodicals	-	10,819
Building Expenses	-	512,491
Motor Vehicle Expenses	699,547	1,076,461
Remote Server Hosting	-	3,473,929
Car Rental	-	1,135,422
Office Service Charges	5,824,712	4,647,419
Postage and Courier	2,370	7,237
Printing and Stationery	195,590	318,376
Protective Clothing	35,000	269,312
Pump Operating Cost	-	2,010,750
Repairs and Maintenance	3,623,940	3,214,198
Security Charges	3,376,313	3,087,817
Staff welfare	322,602	686,910
Stores and Materials	6,869,165	4,015,350
Subscriptions	40,204	1,736,050
Telephone and Fax	1,011,380	1,032,152
Environmental Rehabilitation	479,138	-
Training	-	790,560
Ward Committee Expenses	1,956,200	1,974,964
	67,789,611	62,543,461
33. Auditors' Remuneration		
Audit Fees	3,803,114	4,086,360

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34. Financial Instruments Disclosure

Categories of financial instruments

June 2021

Financial Assets

	At Amortised cost	Total
Receivables from Non-Exchange Transactions	176,538,311	176,538,311
Receivables from Exchange Transactions	172,569,338	172,569,338
VAT Receivables	46,930,763	46,930,763
Cash and cash equivalents	45,264,992	45,264,992
	441,303,404	441,303,404

Financial Liabilities

	At Amortised Cost	Total
Other Financial Liabilities	892,429	892,429
Payables from Exchange Transactions	55,595,656	55,595,656
Consumer Deposits	23,878	23,878
	56,511,963	56,511,963

June 2020

Financial Assets

	At Amortised Cost	Total
Receivables from Non-Exchange Transactions	114,200,891	114,200,891
Receivables from Exchange Transactions	159,562,125	159,562,125
VAT Receivable	26,410,061	26,410,061
Cash and cash equivalents	2,870,450	2,870,450
	303,043,527	303,043,527

Financial Liabilities

	At Amortised Cost	Total
Other Financial Liabilities	1,001,141	1,001,141
Payables from Exchange Transactions	55,549,099	55,549,099
Consumer Deposits	32,918	32,918
	56,583,158	56,583,158

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35. Contingencies

Obakeng Donald Gabotshileli obo T.G THIBE vs Joe Morolong Municipality

The municipality and Eskom is being sued for damages arising from injuries sustained due to the electrical poles and electrical wire which was utilized for the purpose of distributing and transmitting electrical current in its area of jurisdiction belonging to Eskom. Payment of damages to the Plaintiff in his personal or representative capacity in the sum of R12 950 000.00. The Municipality is opposing the application.

Modise Jarvis vs Joe Morolong Local Municipality

The applicant sought to interdict the re - advertised recruitment processes of the Chief Financial Officer's vacant position.

Ho Tla Ba Thata General Trading Contract (B121/2015)

The Full Maintenance Lease Agreement (FMLA) which came to an end in August 2018 however there are outstanding disputes relating to payments.

Ramzo Mining and Construction vs Joe Morolong Local Municipality

A claim of R326 235.00 under Bid Number: B168/2018 which is known as the tender for " Bulk diesel supply, delivery and fuel management system".

The supplier failed to perform in terms of the concerned Purchase Order issued by the Municipality.

Review Application filed against the Municipality under Case number: 841/2019

The matter is currently being settled out of Court by agreement between parties.

Joe Morolong Local Municipality / Ditiro Tsa Ka Trading 6

Poor performance breach by the contractor which led to termination of contract by the Municipality.

Parties agreed to refer the dispute for Arbitration (Ditiro tsa ka Trading 6 / Joe Morolong Local Municipality contract number: B162/2017 - Joe Morolong Rural Roads programme - Dikhing access and Logobate bridge)

36. 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.

There was an outbreak of Covid-19 which was declared an epidemic by the World Health Organisation and following that, the South African government declared a nationwide lockdown. In spite of the Covid-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply essential services to the communities it serves. The President of the Republic of South Africa also pledged support for all the institutions that supply critical services and a fund has also been set up to support these institutions. The municipality has also received their grants and will continue to receive grants in the foreseeable future.

It must also be noted that the municipality was negatively affected with regards to the charging of interest to customers for the period of the nationwide lockdown. The interest forgone was estimated to be around R2 496 857.

37. Events after the reporting date

There are no major events that occurred after the reporting date.

38. Unauthorised expenditure

Opening Balance	549,692,550	494,513,096
Unauthorised Expenditure	249,407	55,179,454
	549,941,957	549,692,550

The unauthorised expenditure for the 2019-2020 financial year has been submitted to MPAC for investigation. The unauthorised expenditure for the 2020-2021 financial year will be investigated in the next 12 months.

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39. Fruitless and wasteful expenditure			
Opening Balance	4,239,338	4,042,634	
Fruitless and wasteful expenditure	106,582	196,704	
	4,345,920	4,239,338	
<p>The fruitless and wasteful expenditure relates to interest charged by service providers i.e Eskom, Telkom, AGSA and DBSA on account arrears. The municipality was unable to pay these service providers' accounts on time due to late and non-payment of services and rates account by municipal consumers.</p>			
40. Irregular expenditure			
Opening balance	132,140,724	128,506,676	
Add: Irregular Expenditure - current year	4,065,059	3,634,048	
	136,205,783	132,140,724	
41. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to organised local government			
Current year subscription / fee	107,171	673,542	
Amount paid - current year	(107,171)	(673,542)	
	-	-	
Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA			
30 June 2021			
	Lost units	Tariff	Value
Unaccounted electricity losses	693,598	1.1656	808,461.25
Unaccounted water losses	278,666.8	2.3990	668,525
	5		
30 June 2020			
	Lost units	Tariff	Value
Unaccounted electricity losses	1,862,398	0.8176	1,522,769
Unaccounted water losses	234,139	4.9111	1,149,890
	2,096,537	6	2,672,659
Audit fees			
Current year subscription / fee	3,829,201	4,086,360	
Amount paid - current year	(3,829,201)	(4,086,360)	
	-	-	
PAYE and UIF			
Current year subscription / fee	10,106,216	10,106,216	
Amount paid - current year	(10,106,216)	(10,106,216)	
	-	-	

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Figures in Rand	2021	2020
41. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	6,407,809	10,194,762
Amount paid - current year	(6,407,809)	(10,194,762)
	-	-
VAT		
VAT Input	33,365,400	26,410,061

VAT output payables and VAT input receivables are shown in note 8.

Supply chain management regulations

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

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42. 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 and includes a note to the Annual Financial Statements.

Department	Date	Description of goods/services	Service Provider	Quotes	Amount
Corporate Services	2020/08/07	Repairs and Services of Municipal Vehicles	Kurhill Solution	We received a requisition to source a service provider who will be able to service and repair Municipal Vehicles, We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip quote fee from all service providers.	R14,323.54
Corporate Services	2020/08/07	Repairs and Services of Municipal Vehicles	Kurhill Solution	We received a requisition to source a service provider who will be able to service and repair Municipal Vehicles, We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip quote fee from all service providers.	R31,305.36
Corporate Services	2020/08/07	Repairs and Services of Municipal Vehicles	Kurhill Solution	We received a requisition to source a service provider who will be able to service and repair Municipal Vehicles, We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip quote fee from all service providers.	R13,626.31
Corporate Services	2020/08/07	Repairs and Services of Municipal Vehicles	Kurhill Solutions	We received a requisition to source a service provider who will be able to service and repair Municipal Vehicles, We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip quote fee from all service providers.	R84,220.14
Corporate Services	2020/08/07	Repairs and Services of Municipal Vehicles	Kurhill Solutions	We received a requisition to source a service provider who will be able to service and repair Municipal Vehicles, We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip quote fee from all service providers.	R65,261.87
Corporate Services	2020/08/07	Repairs and Services of Municipal Vehicles	L & D Services	We received a requisition to source a service provider who will be able to service and repair Municipal Vehicles, We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip quote fee from all service providers.	R37,378.45
Technical Services	2020/07/16	Diesel 50ppm and 500ppm	Agri Mark Bedryf	We received request Memo for procurement of Diesel for 50ppm and 500ppm. We requested from the following Service providers KLK Corperative, we spoke to Frank on 053 712 2222. KLD we spoke to Ms. Grick on 053 712 1250 and Kaap Agri Bedryf Limited and we spoke to Jaco 053 712 3922. KLK Corporative and KLD refused to provide us with quotations as they claim the Municipality does not give the Business. Only Kaap Agri Bedryf Limited was able to give us quotation.	R375,650.00
Technical Services	2020/08/14	Diesel 50ppm and 500ppm	Agri Mark Bedryf	We received request Memo for procurement of Diesel for 50ppm and 500ppm. We requested from the following Service providers KLK Corperative, we spoke to Frank on 053 712 2222. KLD we spoke to Ms. Grick on 053 712 1250 and Kaap Agri Bedryf Limited and we spoke to Jaco 053 712 3922. KLK Corporative and KLD refused to provide us with quotations as they claim the Municipality does not give the Business. Only Kaap Agri Bedryf Limited was able to give us quotation.	R387,800.00

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42. Deviation from supply chain management regulations (continued)

Technical Services	11/09/2020	Diesel 50ppm and 500ppm	Agri Mark Bedryf	We received request Memo for procurement of Diesel for 50ppm and 500ppm. We requested from the following Service providers KLK Corperative, we spoke to Frank on 053 712 2222. KLD we spoke to Ms. Grick on 053 712 1250 and Kaap Agri Bedryf Limited and we spoke to Jaco 053 712 3922. KLK Corporative and KLD refused to provide us with quotations as they claim the Municipality does not give the Business. Only Kaap Agri Bedryf Limited was able to give us quotation.	R375,490.00
Corporate Services	-	Repairs and Services of Municipal Vehicles	Auto Geek Diag	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R50,821.24
Corporate Services	2020/08/21	Repairs and Services of Municipal Vehicles	Auto Geek Diagnosis	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R42,828.30
Corporate Services	2020/08/21	Repairs and Services of Municipal Vehicles	Auto Geek Diag	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R44,869.55
Corporate Services	2020/08/21	Repairs and Services of Municipal Vehicles	Auto Geek Diagnosis	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R75,363.74
Corporate Services	2020/08/21	Repairs and Services of Municipal Vehicles	AutoGeek Diag	We received a requisition to source a service provider who will be able to service and repairs municipal vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R61,453.70
Corporate Services	2020/08/24	Repairs and Services of Municipal Vehicles	Dup's Workshop	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R45,265.73
Corporate Services	2020/08/24	Repairs and Services of Municipal Vehicles	L&D Services	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R37,378.45
Corporate Services	2020/08/12	Repairs and Services of Municipal Vehicles	Gariep Motors	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R11,486.90
Corporate Services	2020/08/24	Towing of Municipal Vehicle	Namz Tyres	Emergency call and for breakdown at Barkery west	R12,452.43

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42. Deviation from supply chain management regulations (continued)

Corporate Services	2020/09/18	Repairs and Services of Municipal Vehicles	AutoGeek Diagnosis	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers.	R19,975.80
Corporate Services	03/06/2020	Repairs and Services of Municipal Vehicles	AutoGeek Diagnosis	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R19,257.14
Corporate Services	2020/09/18	Repairs and Services of Municipal Vehicles	AutoGeek Diag	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R21,408.62
Technical Services	2020/09/25	Procurement of Tyre Puncture	Dup's Worksho	We received a requisition to source a service provider who will be able to service and repairs Municipal Vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incurring strip and quote fee from all service providers	R6,555.00
Technical Services	2020/11/12	Diesel 50ppm and 500ppm	Agri Mark Bedryf	We received request Memo for procurement of Diesel for 50ppm and 500ppm. We requested from the following Service providers KLK Corperative, we spoke to Frank on 053 712 2222. KLD we spoke to Ms. Grick on 053 712 1250 and Kaap Agri Bedryf Limited and we spoke to Jaco 053 712 3922. KLK Corporative and KLD refused to provide us with quotations as they claim the Municipality does not give the Business. Only Kaap Agri Bedryf Limited was able to give us quotation.	R184,100.00
Technical Services	2020/11/25	Diesel 50ppm and 500ppm	Agri Mark Bedryf	We received request Memo for procurement of Diesel for 50ppm and 500ppm. We requested from the following Service providers KLK Corperative, we spoke to Frank on 053 712 2222. KLD we spoke to Ms. Grick on 053 712 1250 and Kaap Agri Bedryf Limited and we spoke to Jaco 053 712 3922. KLK Corporative and KLD refused to provide us with quotations as they claim the Municipality does not give the Business. Only Kaap Agri Bedryf Limited was able to give us quotation.	R353,800.00

43. Prior period errors

Joe Morolong Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

43. Prior period errors (continued)

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	4	7,166,911	(5,355,812)	-	1,811,099	[1]
Receivables from Non-Exchange Transactions	7	114,200,891	-	-	114,200,891	[2]
VAT receivable	8	26,410,061	-	-	26,410,061	[4]
Other Receivables	5	234,322	-	-	234,322	
Receivables from exchange transactions	6	159,562,125	-	-	159,562,125	[3]
Cash and Cash Equivalents	3	2,870,450	-	-	2,870,450	[5]
		310,444,760	(5,355,812)	-	305,088,948	
Non-Current Assets						
Property, Plant and Equipment	9	1,490,444,473	(117,578,551)	-	1,372,865,922	[6]
Intangible Assets	10	1,730,368	-	-	1,730,368	[7]
		1,492,174,841	(117,578,551)	-	1,374,596,290	
Total Assets		1,802,619,601	(122,934,363)	-	1,679,685,238	
Liabilities						
Current Liabilities						
Other Financial Liabilities	11	194,277	-	-	194,277	
Payables From Exchange Transactions	12	55,549,099	1,729,637	-	57,278,736	[8]
Consumer deposits	13	32,918	-	-	32,918	[]
Employee Benefit Obligation	15	172,802	-	-	172,802	[]
Unspent Conditional Grants and Receipts	14	365,426	-	-	365,426	[]
		56,314,522	1,729,637	-	58,044,159	
Non-Current Liabilities						
Other Financial Liabilities	11	806,864	-	-	806,864	
Employee Benefit Obligation	15	1,921,784	-	-	1,921,784	
Provisions	16	1,918,095	-	-	1,918,095	[]
		4,646,743	-	-	4,646,743	
Total Liabilities		60,961,265	1,729,637	-	62,690,902	
Net Assets		1,741,658,336	(124,664,000)	-	1,616,994,336	
Accumulated Surplus		1,372,240,953	244,753,383	-	1,616,994,336	[]

* See Note 43

Joe Morolong Local Municipality

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43. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	18	22,456,098	-	-	22,456,098	[]
Rental of facilities and equipment	19	51,461	-	-	51,461	
Interest from arrear accounts		6,675,891	-	-	6,675,891	
Sundry income	21	545,972	-	-	545,972	
Interest received - investment and Bank account	22	1,717,478	-	-	1,717,478	
Total revenue from exchange transactions		31,545,062	(98,162)	-	31,446,900	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23	42,843,721	-	-	42,843,721	[]
Interest, Dividends and Rent on Land		3,194,378	-	-	3,194,378	
Transfer revenue						
Government grants & subsidies	24	257,513,726	-	-	257,513,726	[]
Public contributions and donations	25	9,633,164	-	-	9,633,164	
Total revenue from non-exchange transactions		313,184,989	-	-	313,184,989	
Total revenue	17	344,730,051	(98,162)	-	344,631,889	
Expenditure						
Employee related costs	26	(63,573,063)	(4,054,060)	4,054,060	(63,573,063)	[17]
Remuneration of councillors	27	(12,016,542)	-	-	(12,016,542)	
Depreciation and amortisation	28	(126,016,542)	(410,748)	-	(126,427,290)	[18]
Impairment loss/ Reversal of impairments	44	7,665,229	-	-	7,665,229	[]
Finance costs	29	(243,891)	-	-	(243,891)	
Operating Lease Rentals		-	(3,412,468)	3,412,468	-	
Bulk purchases	30	(11,796,345)	795,523	-	(11,000,822)	
Contracted services		-	(24,089,692)	24,089,692	-	[20]
Transfers and Subsidies	31	(34,906,019)	(5,355,812)	-	(40,261,831)	
Fair value adjustments		-	-	-	-	
General Expenses	32	(62,543,461)	21,515,303	(21,515,303)	(62,543,461)	[21]
Total expenditure		(303,430,634)	(15,011,954)	10,040,917	(308,401,671)	
Surplus for the year		(303,613,587)	(14,829,001)	-	36,230,218	

[1] Inventory was adjusted by R(5,355,812) for movements during the current period. The movement was made up of dry toilets built for the community but were not yet transferred to the community thus recognised as inventory.

[2] Receivables from non-exchange transactions was adjusted by R-. This adjustment was due to the levying of Property Rates in 2020 for the prior year 2019.

[3] Receivables from exchange transactions was adjusted by R-

[4] VAT was understated by R28,548,303 and the error was adjusted after reviewing prior year VAT returns and SARS statements and adjustments done accordingly.

[5] Cash and cash equivalents was restated by 202,345 due to correction of prior year mappings of the bank accounts..

* See Note 43

Joe Morolong Local Municipality

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
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43. Prior period errors (continued)

[6] Property, plant and equipment was adjusted for errors that occurred between Asset Register and General Ledger in the prior year of R(117,578,551).

[7] Intangible assets was incorrectly recognised as an expense resulting in an understatement of intangible assets in the prior year with an amount of -

[8] Trade payables and accruals were adjusted by the same amount of R1,729,637. This was due to amounts erroneously posted in the creditors account that relate to 2017/2018.

[9] Consumer Deposits was adjusted by - . In the prior year the balance was disclosed without VAT, which has been adjusted accordingly.

[10] Employee Benefit Obligation was adjusted by - This was as a result of the actuarial valuation report

[11] Unspent conditional grants and receipts was adjusted down by - . This was due to the grants in the prior year being overstated.

[12] The provisions for the Land Rehabilitation were adjusted by (16,265) in the prior year. This was a result of revised calculations by newly appointed Consultants

[13] Accumulated surplus was adjusted by R244,753,383 due to other adjustments from various components of the financial statements, predominantly property, plant and equipment.

[14] Service charges were adjusted by R-. This is due to billing that was done for the prior year.

[15] Property rates were readjusted by R-. This is due to billing that was done for the prior year.

[16] Government grants & subsidies was adjusted by - . This is the revised realisation based on the adjustment of the unspent grants and subsidies.

[17] Employee related costs were adjusted by 4,054,060 . There was a reclassification of travel and subsistence from being disclosed under employee related costs to being disclosed under general expenditure.

[18] Depreciation was adjusted by (410,748). This is as a result of recognition of depreciation that was not disclosed in the prior year

[19] Impairment reversal was adjusted by - . There was a reduction in the movement of the impairment on debtors for the prior year.

[20] Consulting fees were reclassified from General expenses to Contracted services and were adjusted by a reclassification of R24,089,692

[21] General expenses were adjusted by R(21,515,303) and Consulting fees were reclassified from General expenses to Contracted services and were adjusted by R(21,515,303)

The accounting policies on pages 12 to 33 and the notes on pages 34 to 62 form an integral part of the annual financial statements.

* See Note 43

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
44. Impairment of assets			
Impairments			
Property, Plant and Equipment		2,895,066	1,350,622
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]			
Reversal of impairments			
Trade and other receivables		314,449,114	(9,015,851)
. The Municipality billed property rates for 2018/2019 and 2019/2020 at once in current year prompting us to reverse impairment.			
Total impairment losses (recognised) reversed		317,344,180	(7,665,229)

45. 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.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	194,978	697,451	-	-
Payables From Exchange Transactions	58,539,735	-	-	-
Consumer Deposits	23,878	-	-	-
Employee Benefit Obligation	184,407	2,308,044	-	-
Unspent Conditional Grants and Receipts	4,885,150	-	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	194,277	806,864	-	-
Payables From Exchange Transactions	54,753,576	-	-	-
Consumer Deposits	32,918	-	-	-
Employee Benefit Obligation	172,802	1,921,784	-	-
Unspent Conditional Grants and Receipts	365,426	-	-	-

Credit risk

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

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

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

Financial instrument	June 2021	June 2020
Receivables from Non-Exchange transactions	30,740,646	114,200,891
Receivables from Exchange transactions	25,640,738	159,562,125
Cash and cash equivalents	45,825,122	2,870,450

* See Note 43

Joe Morolong Local Municipality

(Registration number NC451)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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45. Risk management (continued)

Market risk

Interest rate risk

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

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

46. Related parties

There were no senior managers and Councillors who received any services from the municipality in the year under review. Refer to note 27 and 28 for the remuneration of councillors and senior managers.

Compensation to accounting officer and other key management

Short-term employee benefits	3,101,024	-
Defined contribution plans	2,639,195	-
	5,740,219	-

* See Note 43