



Moses Kotane Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Nature of business and principal activities

The municipality is, within its financial and administrative capacity to:

- Provide democratic and accountable government for the community;
- To ensure the provision of services to the community in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of the community and community organisations in the matters of the municipality.

Executive committee

Mayor

Cllr. R. Diale

Councillors

Cllr G Moatshe (Acting Speaker) July 2020- September 2020

Cllr Hazel Molefe (Speaker) from October 2020

Cllr. M. Matshaba (Single Whip)

Cllr. T. Manganye (Chair of MPAC)

Cllr. T. Bothokwane (Portfolio Head of Planning and Developmet)

Cllr. MN Nkotswe (Portfolio Head of Local Economic Development)

Cllr. T. Thobokwe (Portfolio Head of Corporate services)

Cllr. L. Kapari (Portfolio Head of Finance)

Cllr. X. Kheswa (Portfolio Head of Community Services and PublicSafety)

Cllr. MS. Manganye (Portfolio Infrastructure Technical Services)

Registered office

Stand No.933

Station Road

Unit 3

Mogwase Shopping Complex Mogwase
0314

Business address

Stand No.933

Station Road

Unit 3

Mogwase Shopping Complex Mogwase
0314

Postal address

Private Bag X1011

Mogwase

0314

Bankers

Standard bank

ABSA

Auditors

The Auditor General of South Africa



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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MMC	Member of Mayoral Committee
SALGA	South Africa Local Government Association
RBIG	Regional Bulk Infrastructure Grant.



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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The municipalities and municipal entities must submit their annual financial statements on 31 August 2021.

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Internal Auditors.

The annual financial statements set out on pages 6 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed by:

Mr M.V. Letsoalo
Municipal Manager

Mogwase

Tuesday, 31 August 2021



Moses Kotane Local Municipality

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Audit Committee Report

We are pleased to present the Audit Committee's report for the financial period 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 audit committee charter and section 166 (4) (b) of the MFMA . During the financial year 4 meetings were held.

Name of member	Number of meetings attended
Mr B Seabela (Chairperson)	4
Mr T Zororo	3
Ms L Moyo	4
Mr I Mogotsi	4
Ms A Mtyelwa	1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2) 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, which codifies specific responsibilities entrusted and delegated to it by the municipal Council, and details the manner in which the Audit committee operates

We confirm that the Audit committee has reviewed the unaudited Annual Financial Statements and Annual Performance report for the 2020/2021 financial year.

The Audit committee is satisfied that the Internal audit is operating efficiently and effectively, and that they were involved in addressing the risks pertinent to the municipality. The Internal audit activity was also afforded the opportunity to review the unaudited Annual Financial Statements and Annual Performance report.

Chairperson of the Audit Committee

Date: _____



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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local service delivery to the surrounding community of Moses Kotane and operates under the Bojanala Platinum District Municipality.

Net surplus of the municipality was R 157 458 998 (2020: deficit R 7 175 617).

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report was:

Mr. M.V. Letsoalo

6. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to exercise the Municipality's executive and legislative authority within the constitutional system of cooperative governance envisaged in Section 41 of the Constitution, as stated in the Local Government Municipal Systems Act. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the MSA on a three monthly basis.

Remuneration

The upper limits of the remuneration, allowances and benefits of the Accounting Officer, the Head of Departments and the Councillors of the municipality, as disclosed in note 25 and in note 26 of the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of the Provincial and Local Governments determination in accordance with the Act.



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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			
Non-Current Assets			
Investment property	3	151 431 312	151 028 113
Property, plant and equipment	4	2 942 789 268	2 920 294 197
Intangible assets	5	13 463 274	13 984 567
Heritage assets	6	14 000	14 000
Receivables from non-exchange transactions	10	2 166 687	1 791 297
		3 109 864 541	3 087 112 174
Current Assets			
Inventories	8	11 505 002	9 751 478
Receivables from exchange transactions	9	-	-
Receivables from non-exchange transactions	10	2 368 195	1 507 034
VAT receivable	11	23 512 251	16 943 620
Consumer debtors	12	129 471 547	66 737 117
Non current assets held for sale	36	691 040	2 335 533
Cash and cash equivalents	13	61 596 731	48 779 535
		229 144 766	146 054 317
Total Assets		3 339 009 307	3 233 166 491
Liabilities			
Non-Current Liabilities			
Other financial liabilities	15	14 635 612	22 656 329
Employee benefit obligation	7	15 705 000	14 626 000
Provisions	16	21 989 821	16 302 154
		52 330 433	53 584 483
Current Liabilities			
Other financial liabilities	15	8 063 281	13 331 560
Payables from exchange transactions	17	229 080 183	259 609 057
Employee benefit obligation	7	2 109 000	2 025 000
Unspent conditional grants and receipts	14	27 731 961	42 631 424
Provisions	16	1 840 995	1 590 515
		268 825 420	319 187 556
Total Liabilities		321 155 853	372 772 039
Net Assets		3 017 853 454	2 860 394 452
Accumulated surplus		3 017 853 454	2 860 394 462

* See Note 43 & 42



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Statement of Financial Performance for the period ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	174 236 298	175 925 498
Interest received (trading)	20	50 055 259	46 338 795
Commissions received		90 997	195 294
Rental income		73 926	83 677
Sale of stands		-	19 111
Other income	22	1 221 009	2 388 074
Total revenue from exchange transactions		225 677 489	224 950 449
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	144 972 077	141 020 578
Interest - Taxation revenue	21	21 686 192	21 114 771
Transfer revenue			
Government grants & subsidies	24	763 503 942	599 073 120
Fines, Penalties and Forfeits		1 209 250	5 600 000
Total revenue from non-exchange transactions		931 371 461	766 808 469
Total revenue	18	1 157 048 950	991 758 918
Expenditure			
Employee related costs	25	(256 227 462)	(237 032 918)
Remuneration of councillors	26	(28 103 988)	(27 006 683)
Depreciation and amortisation	27	(139 516 825)	(147 817 597)
Finance costs	29	(4 241 520)	(5 347 470)
Lease rentals on operating lease		(760 870)	(1 703 225)
Debt Impairment	30	(204 695 480)	(199 248 841)
Repairs and maintenance	34	(53 468 293)	(43 542 922)
Bulk purchases	31	(104 944 858)	(106 261 836)
Contracted services	32	(55 760 269)	(42 507 961)
General Expenses	33	(147 252 456)	(178 879 448)
Total expenditure		(994 972 021)	(989 348 901)
Operating surplus		162 076 929	2 410 017
Loss on disposal of assets and liabilities		(4 864 548)	(6 704 291)
Fair value adjustments		945 500	-
Impairment loss	28	(243 726)	(2 828 061)
Inventories losses/write-downs		(455 157)	(53 282)
		(4 617 931)	(9 585 634)
Surplus (deficit) for the year		157 458 998	(7 175 617)

* See Note 43 & 42



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Statement of Changes in Net Assets for the period ended 30 June 2021

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 875 489 492	2 875 489 492
Adjustments		
Prior year adjustments	(7 919 413)	(7 919 413)
Balance at 01 July 2019 as restated*	2 867 570 079	2 867 570 079
Changes in net assets		
Surplus/(Deficit) for the year	(597 542)	(597 542)
Correction of prior year error	(6 578 075)	(6 578 075)
Restated* Surplus for the year	(7 175 617)	(7 175 617)
Restated* Balance at 01 July 2020	2 860 394 456	2 860 394 456
Changes in net assets		
Surplus for the year	157 458 998	157 458 998
Total changes	157 458 998	157 458 998
Balance at 30 June 2021	3 017 853 454	3 017 853 454
Note(s)		

* See Note 43 & 42



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Cash Flow Statement for the year ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Receipts		100 663 877	147 561 616
Grants		748 820 815	580 617 296
Interest income		4 171 425	5 586 510
Other Income		1 385 932	2 686 156
		<u>855 042 049</u>	<u>736 451 578</u>
Payments			
Cash paid to suppliers and employees		(631 101 753)	(599 172 613)
Finance costs		(3 033 419)	(3 944 610)
		<u>(634 135 172)</u>	<u>(603 117 223)</u>
Net cash flows from operating activities	35	<u>220 906 877</u>	<u>133 334 355</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(194 448 474)	(141 695 942)
Proceeds from sale of property, plant and equipment	4	585 819	290 000
Purchase of other intangible assets	5	(1 948 033)	
Net cash flows of non current assets held for sale		1 010 000	-
Net cash flows from investing activities		<u>(194 800 688)</u>	<u>(141 405 942)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(13 288 996)	(7 842 015)
Net increase/(decrease) in cash and cash equivalents		12 817 193	(15 913 602)
Cash and cash equivalents at the beginning of the year		48 779 535	64 693 149
Cash and cash equivalents at the end of the year	13	<u>61 596 728</u>	<u>48 779 547</u>

* See Note 43 & 42



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Statement of Comparison of Budget and Actual Amounts

	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	186 492 720	1 410 000	187 902 720	174 236 298	(13 666 422)	52.1
Interest received (trading)	49 018 300	-	49 018 300	50 055 259	1 036 959	52.2
Commissions received	180 000	-	180 000	90 997	(89 003)	Difference below R 1 000 000
Rental income	30 000	45 000	75 000	73 926	(1 074)	Difference below R 1 000 000
Other income - (rollup)	1 900 500	220 000	2 120 500	1 221 009	(899 491)	Difference below R 1 000 000
Total revenue from exchange transactions	237 621 520	1 675 000	239 296 520	225 677 489	(13 619 031)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	148 602 075	6 000 000	154 602 075	144 972 077	(9 629 998)	52.3
Interest, Dividends and Rent on Land	18 862 250	-	18 862 250	21 686 192	2 823 942	52.2
Transfer revenue						
Government grants & subsidies-operational	670 190 000	132 705 488	802 895 488	763 503 942	(39 391 546)	52.4
Fines, Penalties and Forfeits	3 000 000	-	3 000 000	1 209 250	(1 790 750)	52.5
Total revenue from non-exchange transactions	840 654 325	138 705 488	979 359 813	931 371 461	(47 988 352)	
Total revenue	1 078 275 845	140 380 488	1 218 656 333	1 157 048 950	(61 607 383)	
Expenditure						
Personnel	(270 831 407)	5 540 373	(265 291 034)	(256 227 462)	9 063 572	52.6
Remuneration of councillors	(24 819 114)	(4 645 706)	(29 464 820)	(28 103 988)	1 360 832	52.7
Depreciation and amortisation	(133 503 316)	-	(133 503 316)	(139 516 825)	(6 013 509)	52.8
Finance costs	(3 043 808)	-	(3 043 808)	(4 241 520)	(1 197 712)	52.9
Lease rentals on operating lease	(3 000 000)	2 835 000	(165 000)	(760 870)	(595 870)	Difference below R 1 000 000
Debt Impairment	(194 602 817)	-	(194 602 817)	(204 695 480)	(10 092 663)	52.10
Repairs and maintenance	-	(57 026 000)	(57 026 000)	(53 468 293)	3 557 707	51.11
Bulk purchases	(75 000 000)	17 000 000	(58 000 000)	(104 944 858)	(46 944 858)	52.12
Contracted services	(91 709 200)	41 141 200	(50 568 000)	(55 760 269)	(5 192 269)	52.13



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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						
General Expenses	(58 467 600)	(66 837 533)	(125 305 133)	(147 252 456)	(21 947 323)	52.14
Total expenditure	(854 977 262)	(61 992 666)	(916 969 928)	(994 972 021)	(78 002 093)	
Operating surplus	223 298 583	78 387 822	301 686 405	162 076 929	(139 609 476)	
Loss on disposal of assets and liabilities	-	-	-	(4 864 548)	(4 864 548)	52.15
Impairment loss	-	-	-	(243 726)	(243 726)	Difference below R 1 000 000
Fair value adjustments	-	-	-	945 500	945 500	Difference below R 1 000 000
Inventories losses/write-downs	-	-	-	(455 157)	(455 157)	Difference below R 1 000 000
	-	-	-	(4 617 931)	(4 617 931)	
Surplus before taxation	223 298 583	78 387 822	301 686 405	157 458 998	(144 227 407)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	223 298 583	78 387 822	301 686 405	157 458 998	(144 227 407)	

Differences below R 1 000 000 have been considered to be immaterial.



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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.

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:

Trade receivables / Held to maturity investments and/or loans and 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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of the 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. 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 assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.



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Annual Financial Statements for the year ended 30 June 2021

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 of waste and water network and other assets

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

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 recoverable amount. Significant debtors are individually assessed for impairment and insignificant debtors are grouped and impaired as a portfolio.

1.4 Investment property

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

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

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

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

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

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

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



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Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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



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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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.

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

Item	Depreciation method	Estimated useful life
Land	Straight line	Infinite
Buildings	Straight line	5 - 100 years
Infrastructure - Electricity	Straight line	10 - 100 years
Infrastructure - Roads	Straight line	5- 100 years
Infrastructure - Water	Straight line	5 -100 years
Infrastructure- Stormwater	Straight line	5 -50 years
Infrastructure - Sewerage	Straight line	15 -100 years
Infrastructure- ICT	Straight line	10-50 years
Infrastructure - Airports	Straight line	20 years
Access control security measures	Straight line	3 - 5 years
Recreation facilities	Straight line	10 -100 years
Furniture and fittings	Straight line	7 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	5 - 7 years
Plant and equipment	Straight line	4 - 15 years

For the detailed useful lives of assets, refer to the municipality's asset management policy

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.



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1.5 Property, plant and equipment (continued)

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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



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1.6 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	1-15 years

Intangible assets are derecognised:

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

1.7 Heritage assets

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

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

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

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

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

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

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

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



Moses Kotane Local Municipality

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Accounting Policies

1.7 Heritage assets (continued)

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

Impairment

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

Derecognition

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

1.8 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.



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Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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).

A financial asset is:

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

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

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

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

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

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

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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1.8 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.

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

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

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

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

Receivables from exchange transactions
Receivables from non exchange transactions
Consumer debtors
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Other financial liabilities
Trade and other payables from exchange transactions

Category

Financial liability measured at amortised cost
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.



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Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

The entity assess 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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Accounting Policies

1.8 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.

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.

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. The obligation for retentions is considered to have expired when the retention is unclaimed for more than 3 years from the date the defect liability period expired.

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

Presentation

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

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

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

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

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



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Statutory receivables (continued)

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership as per GRAP 13 appendix 1.

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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



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Accounting Policies

1.10 Inventories (continued)

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

1.11 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.

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 test 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.



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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

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.



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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.12 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.



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Accounting Policies

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

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

Value in use

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

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

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.



Moses Kotane Local Municipality

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Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.13 Employee benefits

Short-term employee benefits

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

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

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



Moses Kotane Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Defined contribution plans

Fixed contributions are paid into a separate entity (a fund) and the municipality will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions meet the definition of a defined contribution plan.

Recognition and measurement

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

- (a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- (b) as an expense

1.14 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.



Moses Kotane Local Municipality

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Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

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

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

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

1.15 Commitments

Capital commitments are disclosed in the financial statements and they represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.16 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.



Moses Kotane Local Municipality

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

Interest is recognised, 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.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. The revenue from summonses is recognised on issue.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

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

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

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

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

1.18 Investment income

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

1.19 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.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote and
- expenditure not in accordance with the purpose of a vote.

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.

1.21 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.



Moses Kotane Local Municipality

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Accounting Policies

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA as follows:

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

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

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

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

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

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

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

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

1.23 Segment information

A segment is an activity of an entity:

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



Moses Kotane Local Municipality

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Accounting Policies

1.23 Segment information (continued)

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.24 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 2021/06/30.

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

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

1.25 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.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.25 Related parties (continued)

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

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

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

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

1.26 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.



Moses Kotane Local Municipality

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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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
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill SitesGRAP 1 (amended): Presentation of Financial StatementsGRAP 34: Separate Financial StatementsIGRAP 1 (revised): Applying the Probability Test on Initial Recognition of RevenueDirective 7 (revised): The Application of Deemed CostGRAP 18 (as amended 2016): Segment Reporting	<ul style="list-style-type: none">01 April 202001 April 202001 April 202001 April 202001 April 202001 April 2020

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended June 30, 2021

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Figures in Rand

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	151 431 312	-	151 431 312	151 028 113	-	151 028 113

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	151 028 113	(542 301)	945 500	151 431 312

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	151 028 113	151 028 113



Moses Kotane Local Municipality

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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3. Investment property (continued)

Pledged as security

Investment property was not pledged as security for financial liabilities.

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

Details of valuation

The value indicated is established by comparing the subject property with similar properties, called comparable sales. Comparable sales are recent property transactions of property that were sold in accordance with the definition of market value.

These comparable sales are judged as being the most comparable to the subject property to indicate a range of value in which the subject property's value could be determined. The subject property is then measured against the comparable sales, in various elements of comparison that might influence and ultimately determine the value of the subject property.



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 684 093	-	17 684 093	17 684 093	-	17 684 093
Buildings	211 996 282	(101 922 127)	110 074 155	211 996 282	(95 568 507)	116 427 775
Plant and machinery	4 819 619	(3 494 415)	1 325 204	6 060 469	(4 356 576)	1 703 893
Furniture and Fixtures	50 323 550	(39 757 830)	10 565 720	53 265 616	(38 881 629)	14 383 987
Motor vehicles	33 219 457	(22 005 577)	11 213 880	38 840 173	(23 703 654)	15 136 519
Infrastructure	4 765 925 597	(2 412 426 294)	2 353 499 303	4 605 214 935	(2 309 337 963)	2 295 876 972
Community Building WIP	527 707 268	(269 185 391)	258 521 877	514 360 412	(253 789 984)	260 570 428
Infrastructure WIP	753 272	-	753 272	753 272	-	753 272
Community assets WIP	170 578 753	-	170 578 753	184 902 636	-	184 902 636
	8 573 011	-	8 573 011	12 854 622	-	12 854 622
Total	5 791 580 902	(2 848 791 634)	2 942 789 268	5 645 932 510	(2 725 638 313)	2 920 294 197



Moses Kotane Local Municipality

Annual Financial Statements for the year ended June 30, 2021

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Change in provision for landfill site	Disposals	Transfers	Change in estimate	Depreciation	Impairment loss	Impairment reversal	Total
Land	17 684 093	-	-	-	-	-	-	-	-	17 684 093
Buildings	116 427 775	-	-	-	-	24 253	(6 356 147)	(21 726)	-	110 074 155
Plant and machinery	1 703 893	54 200	-	(72 182)	-	12 709	(374 674)	-	1 258	1 325 204
Furniture and fixtures	14 383 987	438 590	-	(206 562)	-	310 279	(4 392 777)	-	32 203	10 565 720
Motor vehicles	15 136 519	-	-	(1 599 226)	-	39 957	(2 378 950)	-	15 580	11 213 880
Infrastructure	2 295 876 972	168 302 645	4 479 566	(6 623 139)	-	392 066	(108 928 807)	-	-	2 353 499 303
Community Building WIP	260 570 428 753 272	13 346 856 -	- -	- -	- -	454 476 -	(15 849 883) -	- -	- -	258 521 877 753 272
Infrastructure WIP	184 902 636	184 841 395	-	(30 862 633)	(168 302 645)	-	-	-	-	170 578 753
Community WIP	12 854 622	9 065 245	-	-	(13 346 856)	-	-	-	-	8 573 011
	2 920 294 197	376 048 931	4 479 566	(39 363 742)	(181 649 501)	1 233 740	(138 281 238)	(21 726)	49 041	2 942 789 268



Moses Kotane Local Municipality

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Change in provision for landfill site	Disposals	Transfers	Change in estimate	Depreciation	Impairment loss	Total
Land	17 684 093	-	-	-	-	-	-	-	17 684 093
Buildings	124 121 796	-	-	-	-	-	(7 694 021)	-	116 427 775
Plant and machinery	2 094 779	-	-	(21 513)	-	81 662	(451 026)	(9)	1 703 893
Furniture and fittings	18 618 902	172 260	-	(36 972)	-	1 425 827	(5 783 635)	(12 395)	14 383 987
Motor vehicles	24 815 441	-	-	(530 233)	(5 110 365)	(24 284)	(3 973 214)	(40 826)	15 136 519
Infrastructure	2 271 472 994	144 236 150	(2 219 817)	(6 838 137)	-	513 479	(111 287 697)	-	2 295 876 972
Community Building WIP	254 797 098	21 282 910	-	(21 443)	-	14 349	(15 502 486)	-	260 570 428
	753 272	-	-	-	-	-	-	-	753 272
Infrastructure WIP	206 738 752	132 527 184	-	(10 093 108)	(144 270 192)	-	-	-	184 902 636
Community Assets WIP	13 243 478	20 859 973	-	-	(21 248 829)	-	-	-	12 854 622
	2 934 340 605	319 078 477	(2 219 817)	(17 541 406)	(170 629 386)	2 011 033	(144 692 079)	(53 230)	2 920 294 197

Pledged as security

The mayoral house is pledged as security for the mortgage bond for R 1 520 000 with ABSA bank.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
4. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
KOFFIEKRAAL HIGHMAST LIGHT	1 273 213	1 273 213
BRAKUIL HIGHMAST LIGHT	2 189 709	2 189 709
MANAMELA HIGHMAST LIGHT	1 369 365	1 369 365
RATUA HIGHMAST LIGHTS	476 245	476 245
VOORDONKER HIGHMAST LIGHT	461 829	461 829
MAUBANA HIGHMAST LIGHT	1 304 381	1 304 381
UITKYK 2 HIGHMAST LIGHT	-	1 402 182
LEGKRAAL HIGHMAST LIGHT	1 126 266	1 126 266
MONONONO HIGHMAST LIGHT	583 084	583 084
KOFFIEKRAAL HIGHMAST LIGHT PHASE 2	1 001 507	1 001 507
MONONONO HIGHMAST LIGHT PH 2	320 915	320 915
WELVERDIEN HIGH MAST LIGHTS	1 247 575	1 247 575
MAUBANA HIGHMAST LIGHTS - PH 2	800 997	800 997
NKOGOLWE HIGHMAST LIGHTS - PH 2	735 640	735 640
Included in property, plant and equipment are high mast lights that have been identified as taking significantly longer period of time to complete than expected, due to the delay in connection of the high mast lights to the eskom power grid.		
	12 890 726	14 292 908

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.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended June 30, 2021

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5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	31 288 806	(17 825 532)	13 463 274	47 601 023	(33 616 456)	13 984 567

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	13 984 567	1 948 033	(2 469 326)	13 463 274

Reconciliation of intangible assets - 2020

	Opening balance	Other changes, movements	Amortisation	Total
Computer software, other	19 121 120	1 842 511	(6 979 064)	13 984 567

Pledged as security

Intangible assets were not pledged as security for financial liabilities.



Moses Kotane Local Municipality

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6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	14 000	-	14 000	14 000	-	14 000

Reconciliation of heritage assets - 2021

	Opening balance	Total
Historical monuments	14 000	14 000

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	14 000	14 000

Pledged as security

Investment property was not pledged as security for financial liabilities.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
7. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Long service awards	(17 814 000)	(16 651 000)
Non-current liabilities	(15 705 000)	(14 626 000)
Current liabilities	(2 109 000)	(2 025 000)
	(17 814 000)	(16 651 000)

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021.

There are 531 employees that are currently entitled to Long Service Awards

Net expense recognised in the statement of financial performance

Current service cost	1 539 000	1 456 000
Interest cost	1 138 000	1 187 794
Actuarial (gains) losses	348 701	(20 353)
	3 025 701	2 623 441



Moses Kotane Local Municipality

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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7. Employee benefit obligations (continued)

Key assumptions used

The assumptions used for the purposes of the actuarial valuations were as follows

Discount rates used	9,20 %	7,27 %
General earnings inflation rate (long-term)	5,78 %	3,90 %
Net effective discount rate	3,23 %	3,24 %

The 1 July 2021 general earnings increase was still under consideration at the time of writing this report. The Municipality budgeted for a 3.50% increase as at 1 July 2021, and the earnings used in this valuation include this assumed general increase. The next general earnings increase was assumed to take place on 1 July 2022.

In estimating the unfunded liability for LSA of Moses Kotane Local Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors such as return on assets and inflation rates).

Discount Rate

A discount rate of 9.20% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 3.74%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021. The duration of the total liability was estimated to be 9.25 years.

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation.

General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 4.78% was obtained from the differential between market yields on index-linked bonds (3.74%) consistent with the estimated terms of the liabilities and those of nominal bonds (9.20%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

Therefore, expected inflation is determined as $((1+9.20\%-0.50\%)/(1+3.74\%))-1$. Thus, a general earnings inflation rate of 5.78% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.23%.

It has been assumed that the next general earnings increase will take place on 1 July 2022.

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 3.90% per annum for all employees.

Age band	Additional promotional scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 44	0.0%



Moses Kotane Local Municipality

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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7. Employee benefit obligations (continued)

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below. Sample withdrawal rates

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

Plan Assets

There are currently no long-term assets set aside off balance sheet in respect of the LSA liability

Other assumptions

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

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Accrued liability	17 814 000	16 651 000	15 390 122	15 607 093	14 138 129



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
8. Inventories		
Maintenance materials	11 442 863	9 700 637
Water for distribution	62 139	50 841
	11 505 002	9 751 478
Carrying value of inventories carried at fair value less costs to sell	-	-
Inventories recognised as an expense during the year	2 831 787	3 311 069
In the current year inventory written off amounted to R 455 157 (R 53 282 :2020)		
Inventory pledged as security		
There is no inventory pledged as security.		
9. Receivables from exchange transactions		
Receivable from Exchange Transactions		
Gross Balances	2 443 422	2 443 422
Less: Allowance for Impairment	(2 443 422)	(2 443 422)
	-	-
The ageing- 2021		
121 days and above in arrears	2 443 422	2 443 422
Less: Allowance for impairment	(2 443 422)	(2 443 422)
	-	-
Financial asset receivables included in receivables from exchange transactions above	-	-
There are no trade and other receivables pledged as security during the year.		
10. Receivables from non-exchange transactions		
Fines	1 531 195	354 454
Other receivables from non-exchange revenue	3 000 567	2 925 177
Sundry Debtors	3 120	18 700
	4 534 882	3 298 331
Non-current assets	2 166 687	1 791 297
Current assets	2 368 195	1 507 034
	4 534 882	3 298 331
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	1 531 195	354 454



Moses Kotane Local Municipality

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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10. Receivables from non-exchange transactions (continued)

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows

Eskom Deposits	2 166 687	1 791 297
Other receivables	833 880	1 133 880
Sundry Debtors	3 120	18 700
	3 003 687	2 943 877

Total receivables from non-exchange transactions	4 534 882	3 298 331
---	------------------	------------------

The ageing- 2021	Fines	Sundry debtors	Eskom deposits	Other receivables	Total
Current (0-30 days)	68 900	5 627	-	-	74 527
31 - 60 days	60 150	4 710	-	-	64 860
61 - 90 days	104 300	2 937	108 010	-	215 247
91 - 120 days	41 900	174 529	-	-	216 429
121 days and above	12 484 714	417 590	2 058 677	833 880	15 794 861
Gross Amount	12 759 964	605 393	2 166 687	833 880	16 365 924
Less: Allowance for impairment	(11 228 769)	(602 273)	-	-	(11 831 042)
	1 531 195	3 120	2 166 687	833 880	4 534 882

The ageing- 2020	Fines	Sundry debtors	Eskom deposits	Other receivables	Total
Current (0-30 days)	69 300	26 454	-	-	95 754
31 - 60 days	219 900	8 105	-	-	228 005
61 - 90 days	80 800	5 950	-	-	86 750
91 - 120 days	49 000	195 166	-	-	244 166
121 days and above	12 793 934	712 537	1 791 300	1 133 880	16 431 651
Gross Amount	13 212 934	948 212	1 791 300	1 133 880	17 086 326
Less: Allowance for impairment	(12 858 480)	(929 512)	-	-	(13 787 992)
	354 454	18 700	1 791 300	1 133 880	3 298 334



Moses Kotane Local Municipality

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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10. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

Determination of transaction amount

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Fines - No interest or other charges are charged on outstanding fines.

No discount rate is applied on the above mentioned statutory receivables to estimate future cash flows.

Basis used to assess and test whether a statutory receivable is impaired

Fines - Payment percentage of fines is used to assess whether fines are impaired.

There are no trade and other receivables from non exchange pledged as security during the year.

Other receivables from non-exchange transactions

The prior year is restated. Refer to note 42 for more detail.

11. VAT receivable/payable

VAT	23 512 251	16 943 620
Vat receivable from SARS	17 970 099	5 330 142
Vat input provision	12 608 320	15 543 906
Vat output provision	(7 066 168)	(3 930 428)
	23 512 251	16 943 620



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
12. Consumer debtors		
Gross balances		
Rates	453 908 638	381 259 755
Water	917 453 109	719 415 871
Sewerage	20 565 601	18 103 482
Refuse	108 579 152	92 052 060
Water consumption from last reading until 30th	1 133 496	2 763 689
	1 501 639 996	1 213 594 857
Less: Allowance for impairment		
Rates	(382 732 418)	(348 758 566)
Water	(862 405 413)	(689 612 275)
Sewerage	(18 705 027)	(16 531 420)
Refuse	(108 325 591)	(91 955 479)
	(1 372 168 449)	(1 146 857 740)
Net balance		
Rates	71 176 220	32 501 189
Water	55 047 696	29 803 596
Sewerage	1 860 574	1 572 062
Refuse	253 561	96 581
Water consumption from the last readings	1 133 496	2 763 689
	129 471 547	66 737 117
Statutory receivables included in consumer debtors above are as follows:		
Rates	71 176 220	32 501 189
Financial asset receivables included in consumer debtors above	58 295 327	34 235 928
Total consumer debtors	129 471 547	66 737 117
Included in above is receivables from exchange transactions		
Water	55 047 696	29 804 399
Sewerage	1 860 574	1 572 101
Refuse	253 561	96 623
Water consumption from the last readings	1 133 496	2 763 689
	58 295 327	34 236 812
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	71 176 220	32 501 307
Net balance	129 471 547	66 738 119



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
12. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	20 564 272	12 850 743
31 - 60 days	12 901 208	12 343 938
61 - 90 days	10 309 789	12 957 696
91 - 120 days	10 481 201	12 274 102
More than 121 days	399 652 169	330 833 276
Less: Allowance for impairment	(382 732 419)	(348 758 566)
	71 176 220	32 501 189
Water		
Current (0 -30 days)	28 784 692	29 595 688
31 - 60 days	21 960 186	17 876 736
61 - 90 days	22 362 375	19 172 852
91 - 120 days	22 887 817	20 164 661
More than 121 days	821 458 040	632 605 934
Less: Allowance for impairment	(862 405 414)	(689 612 275)
	55 047 696	29 803 596
Sewerage		
Current (0 -30 days)	410 626	292 999
31 - 60 days	279 423	274 510
61 - 90 days	291 120	293 760
91 - 120 days	296 718	300 835
More than 121 days	19 287 714	16 941 378
Less: Allowance for impairment	(18 705 027)	(16 531 420)
	1 860 574	1 572 062
Refuse		
Current (0 -30 days)	1 448 738	1 371 477
31 - 60 days	1 440 571	1 364 052
61 - 90 days	1 431 713	1 357 194
91 - 120 days	1 643 079	1 353 520
More than 121 days	102 615 052	86 605 817
Less: Allowance for impairment	(108 325 592)	(91 955 479)
	253 561	96 581
Water consumption from the last readings		
Current (0 -30 days)	1 133 496	2 763 689
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 146 857 740)	(943 250 191)
Contributions to the allowance	(225 961 770)	(209 578 137)
Debt impairment written off against allowance	651 061	5 970 588
	(1 372 168 449)	(1 146 857 740)



Moses Kotane Local Municipality

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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12. Consumer debtors (continued)

Statutory receivables general information

Transaction(s) arising from statute

Municipal Property Rates Act (MRP Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Determination of transaction amount

Rates amounts are determined in terms of section 11 of the MRP Act and the approved rates policy of the municipality.

Interest or other charges levied/charged

Interest is charged on past due balances.

Basis used to assess and test whether a statutory receivable is impaired

Payment history of receivables is used to assess whether the receivable is impaired.

Discount rate applied to the estimated future cash flows

No discount rate is applied on the above mentioned statutory receivables to estimate future cash flows.

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The prior period balances were restated. Refer to note 42 for more detail.



Moses Kotane Local Municipality

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13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	20 000	113
Bank balances	7 850 788	4 014 452
Short-term deposits	53 725 943	44 764 970
	61 596 731	48 779 535

Cash and cash equivalents held by the entity that are not available for use by the economic entity	107 700	107 700
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The municipality has a facility for R 1 000 000 with Standard Bank.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Bank Current-Account Number: 41980182	5 059 333	2 352 823	9 163 924	5 123 737	2 352 823	9 180 325
Call MIG Standard Bank Account number: 228810957004	23 884 598	26 590 239	40 686 241	23 884 598	26 590 239	41 001 789
Call MKLM Standard Bank Account number: 22881095	8 928 986	157 604	48 064	8 928 986	157 604	48 277
WSIG Account NKLM MUNIC INFRA - Account number: 228810957	18 504 336	17 635 167	11 311 123	18 504 336	17 635 167	11 416 918
ABSA Rustenburg Branch Account number: 4050414471	104 270	651 498	1 795 791	104 281	651 498	1 798 407
Housing Account - Account number: 4059219109	-	-	47	-	-	47
Traffic Account - Account number: 4070118019	-	-	403 736	-	-	381 289
ABSA Fixed deposit -12 months Eskom Account number: 206225080	384 187	357 015	330 999	404 461	380 844	356 855
Standard Bank Borongwa Account number: 41980255	641 081	648 200	376 093	641 081	648 199	306 550
Traffic - Account number: 41980247	1 981 689	363 048	182 691	1 981 689	363 048	182 691
Standard bank-Fleet: 228810957001	2 003 562	-	-	2 003 562	-	-
Total	61 492 042	48 755 594	64 298 709	61 576 731	48 779 422	64 673 148



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	25 369 253	26 332 861
Library Grant	1 014 325	816 497
Water and Sanitation Grant	1 205 753	14 889 762
EPWP Grant	57 833	135 866
PMU Grant	84 797	240 102
Small Business Enterprise	-	216 336
	27 731 961	42 631 424
Movement during the year		
Balance at the beginning of the year	42 631 424	61 087 249
Additions during the year	206 426 815	214 297 295
Income recognition during the year	(220 869 840)	(172 143 769)
Roll over denied	(240 102)	(60 609 351)
Saving	(216 336)	-
	27 731 961	42 631 424
15. Other financial liabilities		
At amortised cost		
INCA annuity loan	7 844 424	12 039 373
ABSA annuity loan	2 695 280	4 493 154
DBSA	12 159 189	19 455 362
	22 698 893	35 987 889
Total other financial liabilities	22 698 893	35 987 889
Non-current liabilities		
At amortised cost	14 635 612	22 656 329
Current liabilities		
At amortised cost	8 063 281	13 331 560



Moses Kotane Local Municipality

Annual Financial Statements for the year ended June 30, 2021

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Figures in Rand

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Change in provision	Interest	Total
Environmental rehabilitation	16 302 154	-	4 479 563	1 208 104	21 989 821
Workmen's compensation	1 590 515	(1 590 515)	1 840 995	-	1 840 995
	17 892 669	(1 590 515)	6 320 558	1 208 104	23 830 816

Reconciliation of provisions - 2020

	Opening Balance	Change in provision	Interest	Total
Environmental rehabilitation	17 119 111	(2 219 817)	1 402 860	16 302 154
Workmen's compensation	-	1 590 515	-	1 590 515
	17 119 111	(629 302)	1 402 860	17 892 669

Non-current liabilities	21 989 821	16 302 154
Current liabilities	1 840 995	1 590 515
	23 830 816	17 892 669



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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16. Provisions (continued)

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of the restoration costs.

FINANCIAL ASSUMPTIONS USED

Unit Costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI

The CPI2 is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 4.8235%..

Discount Rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.

For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.

For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Assumption

CPI	4.8235%
Discount rate	8.8235%
Net effectivediscount rate	4.0000%

Workmen's compensation

The municipality is required to contribute to the compensation fund in terms of the Compensation for Occupational Injuries and Diseases Act. The provision is based on the provisional assessment that was done by the Compensation Commissioner for the 2020/2021 assessment.



Moses Kotane Local Municipality

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17. Payables from exchange transactions

	2021	2020
Trade payables	75 156 288	105 919 550
Payments received in advanced	69 957 728	60 320 689
Other payables	3 011 797	20 620 217
Accrued leave pay	40 021 752	31 117 447
Retentions	29 064 941	31 893 183
Unallocated receipts	6 794 905	4 834 930
Accrued bonus	5 072 772	4 903 041
	229 080 183	259 609 057

18. Revenue

Service charges	174 236 298	175 925 498
Interest received	50 055 259	46 338 795
Commissions received	90 997	195 294
Rental income	73 926	83 677
Sale of stands/land	-	19 111
Other income	1 221 009	2 388 074
Property rates	144 972 077	141 020 578
Interest, Dividends and Rent on Land	21 686 192	21 114 771
Government grants & subsidies	763 503 942	599 073 120
Fines, Penalties and Forfeits	1 209 250	5 600 000
	1 157 048 950	991 758 918

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

Service charges	174 236 298	175 925 498
Interest received	50 055 259	46 338 795
Commissions received	90 997	195 294
Rental income	73 926	83 677
Sale of stands/land	-	19 111
Other income - (rollup)	1 221 009	2 388 074
	225 677 489	224 950 449

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

Taxation revenue

Property rates	144 972 077	141 020 578
Interest	21 686 192	21 114 771

Transfer revenue

Government grants & subsidies	763 503 942	599 073 120
Fines, Penalties and Forfeits	1 209 250	5 600 000
	931 371 461	766 808 469



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
19. Service charges		
Sale of water	160 492 822	163 352 194
Sewerage and sanitation charges	2 920 634	2 659 221
Refuse removal	10 822 842	9 914 083
	174 236 298	175 925 498

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

The prior period balances were restated. Refer to note 42 for more details.

20. Interest income

Outstanding debtors	45 883 834	40 752 285
External investments	4 171 425	5 586 510
	50 055 259	46 338 795

21. Interest from non-exchange receivables

Outstanding debtors	21 686 192	21 114 771
---------------------	------------	------------

22. Other income

Clearance certificates	92 829	2 171
Drainage fees	78	261
Sale of tender documents	610 045	488 591
Valuation services	2 229	2 645
Cemetery	17 333	11 728
Town planning	117 664	133 970
Recoveries	30 551	1 126 949
Photocopies and faxes	12 861	24 990
Advertisements	-	25 940
Water connections	79 226	49 932
LG Seta refund	258 193	372 243
Insurance claims received	-	135 244
Licence fees	-	13 410
	1 221 009	2 388 074

The amounts disclosed above for Other Income are in respect of services rendered which are billed to or paid for by the users of the services as required according to approved tariffs.



Moses Kotane Local Municipality

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Figures in Rand	2021	2020
23. Property rates		
Rates received		
Commercial	46 778 948	41 610 430
State	92 884 579	85 855 457
Residential	3 944 120	5 410 392
Mining	3 706 052	10 421 853
Industrial	6 225	5 876
Less: Income forgone	(2 347 847)	(2 283 430)
	144 972 077	141 020 578

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act. Interim valuations are processed on a monthly basis to take into account changes in individual property value due to alterations, completions, consolidations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Owners are allowed to pay the 12 monthly instalments annually by 30 September each year. Interest is levied on outstanding rates amounts.

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

Valuations

Residential	1 832 131 436	1 748 561 358
Commercial	1 330 567 500	1 315 399 500
Industrial	157 639 000	156 731 000
State	1 512 309 448	1 333 570 497
Church and parks	16 255 000	14 105 000
Mining	25 031 000	125 031 000
Public Benefit Organizations	419 800	419 800
Agriculture	1 828 996 902	1 568 226 902
Municipal (non taxable valuations)	531 051 300	103 479 300
Public Service infrastructure	30 683 300	30 685 300
Vacant land	53 128 000	48 712 000
	7 318 212 686	6 444 921 657



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Government grants and subsidies		
Operating grants		
Equitable share	542 634 102	426 929 351
Expanded Public Works Grant	1 905 032	1 559 133
Project Management Unit Grant	3 093 970	3 342 535
Financial Management Grant	1 700 000	1 700 000
Library grant	568 172	646 402
Disaster relief grant	-	268 000
	549 901 276	434 445 421
Capital grants		
Municipal Infrastructure Grant	129 609 842	119 776 502
Water Services Infrastructure Grant	71 709 009	40 110 238
Small business enterprise grant	-	4 740 959
Provincial Infrastructure Grant	12 283 815	-
	213 602 666	164 627 699
	763 503 942	599 073 120
Municipal Infrastructure Grant		
Balance unspent at beginning of year	26 332 861	43 653 570
Current-year receipts	128 646 233	146 109 363
Conditions met - transferred to revenue	(129 609 841)	(119 776 502)
Roll over denied	-	(43 653 570)
	25 369 253	26 332 861
The grant was utilised to construct roads, streetlighting, water and sewerage infrastructure. Conditions still to be met - remain liabilities (see note 14).		
Library Grant		
Balance unspent at beginning of year	816 497	477 899
Current-year receipts	766 000	985 000
Conditions met - transferred to revenue	(568 172)	(646 402)
	1 014 325	816 497
Conditions still to be met - remain liabilities (see note 14).		
Department of water services and Refurbishment Grant		
Balance unspent at beginning of year	14 889 762	15 295 304
Current-year receipts	58 025 000	55 000 000
Conditions met - transferred to revenue	(71 709 009)	(40 110 238)
Roll over denied	-	(15 295 304)
	1 205 753	14 889 762
Conditions still to be met - remain liabilities (see note 14).		
Expanded Public Works Grant		



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Government grants and subsidies (continued)		
Balance unspent at beginning of year	135 866	347 260
Current-year receipts	1 827 000	1 695 000
Conditions met - transferred to revenue	(1 905 033)	(1 559 133)
Roll over denied	-	(347 261)
	57 833	135 866
Conditions still to be met - remain liabilities (see note 14).		
Financial Management Grant		
Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Provincial Infrastructure Grant (PIG)		
Current-year receipts	12 283 815	-
Conditions met - transferred to revenue	(12 283 815)	-
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Provide explanations of conditions still to be met and other relevant information.		
MIG (PMU) Grant		
Balance unspent at beginning of year	240 102	1 313 215
Current-year receipts	3 178 767	3 582 637
Conditions met - transferred to revenue	(3 093 970)	(3 342 535)
Roll over denied	(240 102)	(1 313 215)
	84 797	240 102
Conditions still to be met - remain liabilities (see note 14).		
Small business enterprise grant		
Balance unspent at beginning of year	216 336	-
Current-year receipts	-	4 957 295
Conditions met - transferred to revenue	-	(4 740 959)
Saving	(216 336)	-
	-	216 336
Conditions still to be met - remain liabilities (see note 14).		
Municipal disaster relief grant		
Current-year receipts	-	268 000



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
24. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	-	(268 000)
	-	-

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



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
25. Employee related costs		
Basic	164 274 191	152 174 681
Bonus	11 947 104	10 932 806
Medical aid - company contributions	12 765 761	11 489 846
UIF	990 281	960 264
SDL	2 058 284	1 946 074
Leave pay provision charge	9 220 122	6 079 957
Bargaining council	67 303	64 709
Travel, motor car, accommodation, subsistence and other allowances	1 578 593	1 618 593
Overtime payments	10 880 781	7 759 942
Long-service awards	3 025 701	2 623 441
Acting allowances	502 452	821 273
Housing benefits and allowances	537 101	478 039
Standby allowance	2 396 359	2 054 179
Pension fund company contributions	29 876 499	27 217 010
Shift allowance	269 017	248 158
Covid 19 allowance	5 837 913	10 563 946
	256 227 462	237 032 918
Remuneration of municipal manager		
Annual Remuneration	1 201 840	1 149 782
Car Allowance	222 593	222 593
Bonus	100 153	100 979
Contributions to UIF, Medical and Pension Funds	274 951	188 415
Paid out	(1 799 537)	(1 661 769)
	-	-
Remuneration of Acting Municipal Manager		
Performance Bonuses	-	-
Acting Allowance	44 712	-
Paid Out	(44 712)	-
	-	-
Remuneration of Chief Financial Officer		
Annual Remuneration	1 074 866	1 000 573
Car Allowance	216 000	216 000
Bonus	89 572	228 929
Contributions to UIF, Medical and Pension Funds	245 099	83 493
Paid out	(1 625 537)	(1 528 995)
	-	-
Remuneration of HOD community services		
Annual Remuneration	1 140 408	1 055 573
Car Allowance	240 000	240 000
Bonus	60 000	-
Contributions to UIF, Medical and Pension Funds	1 932	1 896
Paid Out	(1 442 340)	(1 297 469)



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
25. Employee related costs (continued)		
	-	-
Remuneration of acting HOD community services		
Annual Remuneration	-	33 053
Car Allowance	-	(33 053)
	-	-
Remuneration of HOD infrastructure and technical services		
Annual Remuneration	805 238	504 822
Car Allowance	35 000	60 000
Bonus	-	790
Contributions to UIF, Medical and Pension Funds	1 139	271 494
Paid Out	(841 377)	(837 106)
	-	-
Remuneration of acting HOD infrastructure and technical services		
Acting Allowance	125 450	101 278
Paid Out	(125 450)	(101 278)
	-	-
Remuneration of HOD Economic Development		
Annual Remuneration	1 170 408	1 085 573
Car Allowance	240 000	240 000
Bonus	30 000	-
Contributions to UIF, Medical and Pension Funds	1 903	1 896
Paid Out	(1 442 311)	(1 327 469)
	-	-
Remuneration of acting HOD corporate service		
Acting Allowance	149 279	250 202
Paid Out	(149 279)	(250 202)
	-	-
Remuneration of HOD planning and development		
Annual Remuneration	1 017 294	848 866
Car Allowance	180 000	165 000
Bonus	60 000	-
Contributions to UIF, Medical and Pension Funds	185 016	154 534
Paid out	(1 442 310)	(1 168 400)
	-	-



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
26. Remuneration of councillors		
Mayor	811 640	603 630
Single WHIP	431 018	421 491
Executive Committee	4 763 465	4 419 414
Speaker	303 379	416 320
Councillors	10 782 496	10 126 995
Councillors pension and medical aid contributions	3 076 974	2 878 405
Traveling allowance	4 995 216	5 194 440
Cell phone allowance	2 939 800	2 945 988
	28 103 988	27 006 683

In-kind benefits

The Mayor, Speaker, Single Whip, MPAC Chair and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to stay at the mayoral residence owned by the Municipality. The Mayor has use of a Council owned vehicle for official duties.

The Council has complied with the provision of Section 7(3) of the Remuneration of Public Office Bearers Act, and concurrence for the implementation of the Council Resolution item number 172/05/2020 in line with the government gazette number 43246, dated 24 April 2020.

27. Depreciation and amortisation

Property, plant and equipment	137 047 499	142 681 045
Intangible assets	2 469 326	5 136 552
	139 516 825	147 817 597

28. Impairment of assets

Impairments

Property, plant and equipment	21 726	53 229
Non current assets held for sale	222 000	2 774 832
The impairment loss relates to cost to sell assets that were identified by the municipality in the current year as held for sale.		
	243 726	2 828 061

The main classes of assets affected by impairment losses are:

Transport assets held for sale

Value in use

The value in use for the high mast lights impaired is Nil as these assets are not in use..

Fair value less cost to sell

The fair value less cost to sell for the high mast lights is nil because there is no active market to sell the assets.



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
29. Finance costs		
Non-current borrowings	3 033 419	3 944 610
Provision for landfill site	1 208 101	1 402 860
	4 241 520	5 347 470
30. Debt impairment		
Bakwena Systems	-	1 221 711
Consumer Debtors	206 036 728	187 081 825
Traffic Fines	(1 629 711)	5 412 891
Bad debts	616 668	5 532 414
Sundry Debtors	(328 205)	-
	204 695 480	199 248 841
31. Bulk purchases		
Water	104 944 858	106 261 836
Water losses		
Units purchased	15 509 412	15 998 115
Units sold	(12 909 207)	(12 823 818)
Total loss	2 600 205	3 174 297
Value of loss	19 265 861	23 295 165
Percentage Loss	17 %	20 %
32. Contracted services		
Outsourced Services		
Accounting fees	10 180 303	5 401 130
Vat consultants fees	6 606 538	2 681 973
Debt collection fees	8 720 357	6 312 058
Call Centre	7 367 478	6 537 522
Refuse Removal	22 885 593	21 575 278
Contractors	55 760 269	42 507 961

Contracted services are expenditure relating to mandated services in terms of the Structures Act, a municipal by-law or the IDP where the municipality is expected to have the capacity and expertise to carry out these services, but is outsourcing these service.



Moses Kotane Local Municipality

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Figures in Rand	2021	2020
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32. Contracted services (continued)

Contracted services has been restated according to GRAP 3. Refer to Note 42 "Prior Period Adjustments" for the details of the restatement.

33. General expenses

Audit fees	5 484 707	4 579 808
Assets management fees	3 206 874	4 015 015
Legal fees	2 065 550	2 016 522
Fines and penalties	1 421 555	329 464
Insurance	2 778 279	1 583 136
IT expenses	3 971 449	58 671 049
Valuation fees	984 967	753 424
Fuel and oil	8 780 139	11 723 195
Local economic development	2 180 252	-
Financial system support	3 080 279	2 111 465
Security (Guarding of municipal property)	21 220 882	22 490 495
Workmen's compensation fund	2 091 475	4 051 441
Subscriptions and membership fees	2 935 234	2 740 787
Telephone and fax	11 292 347	13 398 438
Training	71 586	753 009
Travel - local	564 016	924 313
Water tankering	6 162 009	615 160
Rural sanitation	30 862 634	7 065 068
Electricity	23 523 702	24 541 752
Uniforms	2 276 455	903 111
Ward committee fees	5 049 228	4 837 016
Water quality and chemicals	1 938 188	3 102 795
Other expenses	5 310 649	7 672 985
	147 252 456	178 879 448

General expenses has been restated according to GRAP 3. Refer to Note 42 "Prior Period Adjustments" for the details of the restatement.

34. Repairs and maintenance

Buildings	4 139 543	4 238 985
Motor vehicles	8 051 226	7 292 651
Infrastructure	41 277 524	32 011 286
	53 468 293	43 542 922



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Cash generated from operations		
Surplus (deficit)	157 458 998	(7 175 617)
Adjustments for:		
Depreciation and amortisation	139 516 825	147 817 597
Gain on sale of assets and liabilities	4 864 548	6 704 291
inventory write off	455 157	53 282
Fair value adjustments	(945 500)	-
Impairment deficit	243 726	2 828 061
Debt impairment	204 695 480	199 248 841
Movements in employee benefits	3 025 701	2 623 441
Movements in provisions	1 208 104	1 402 817
Movement in accrued leave	9 220 122	-
Movement in accrued bonus	169 730	-
VIP toilets	30 862 633	-
Changes in working capital:		
Inventories	(2 208 680)	1 920 188
Consumer debtors	(288 045 139)	(249 916 436)
Other receivables from non-exchange transactions	721 365	(5 320 085)
Payables from exchange transactions	(36 129 527)	31 588 457
VAT	12 088 682	16 597 723
Unspent conditional grants and receipts	(14 683 127)	(18 455 824)
Provisions	250 480	3 417 619
Employee benefits	(1 862 701)	-
	220 906 877	133 334 355

36. Non current assets held for sale

Management took a decision to dispose vacant land and a fleet of transport assets.

Description of the asset(s), group of assets and liabilities or, component

Motor vehicles and accessories

Carrying value	913 040	5 110 365
Impairment loss	(222 000)	(2 774 832)
	691 040	2 335 533

Carrying values

Carrying values of the assets	691 040	2 335 533
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Facts and circumstances of the disposal

Management took a decision to dispose the transport assets as these assets had become expensive to maintain, the mileage of the assets was very high and the physical condition of these assets had deteriorated.

37. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets



Moses Kotane Local Municipality

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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37. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other receivables from exchange transactions	-	-
Other receivables from non-exchange transactions	4 534 882	4 534 882
Consumer debtors	129 471 547	129 471 547
Cash and cash equivalents	61 596 731	61 596 731
	195 603 160	195 603 160

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(22 698 893)	(22 698 893)
Trade and other payables from exchange transactions	(107 233 026)	(107 233 026)
	(129 931 919)	(129 931 919)

2020

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	3 298 331	3 298 331
Consumer debtors	66 737 117	66 737 117
Cash and cash equivalents	48 779 535	48 779 535
	118 814 983	118 814 983

Financial liabilities

	At amortised cost	Total
Other financial liabilities	(35 987 889)	(35 987 889)
Trade and other payables from exchange transactions	(158 432 950)	(158 432 950)
	(194 420 839)	(194 420 839)



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
38. Commitments		
Authorised capital expenditure		
Already contracted		
• Property, plant and equipment	110 283 047	73 117 452
Total capital commitments		
Already contracted	110 283 047	73 117 452
Total commitments		
Total commitments		
Authorised capital expenditure	110 283 047	73 117 452

These commitments relates to infrastructure projects and will be financed by grants from National Treasury.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 100 000	-
- in second to fifth year inclusive	3 325 000	-
	5 425 000	-
Rental expenses relating to operating leases		
Minimum lease payments	760 870	-

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. The operating lease contract contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the leased period.



Moses Kotane Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
39. Contingencies		
Claims against the Municipality		
Van Heerden Construction	1 078 782	1 078 782
Mogaki Civils	470 426	470 426
Mafoko Brothers	319 919	319 919
Enigma chartered Accountants	5 211 874	5 211 874
MTN	90 484	90 484
Department of Local Government and Human Settlements	32 591 311	32 591 311
Intelligence Trading	3 525 398	-
Fencecor Construction	-	2 842 111
Rakidi	-	74 715
Claim for Death-Konopi	-	9 400 000
Ramathunya/Seeletso JV	-	106 932
Vick Pule Construction	-	1 146 004
Mr. P.N. Makganya	-	34 764
Vega Turnkey Projects	-	141 641
	43 288 194	53 508 963



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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39. Contingencies (continued)

Van Heerden Construction

Van Heerden Construction is a sub-contractor of Lefika La Thaba, a contractor that was appointed by the Municipality. Van Heerden is claiming R 1 078 782. Van Heerden obtained a Court order and Writ of execution against Lefika La Thaba, Dr. Mokgothu, the owner of Lefika La Thaba as well as the Municipality. It was established that the Municipality has an amount of R 833 000 left on the project. The amount was paid over to the trust account of Sakkie Smith Attorneys for safekeeping pending finalisation of the matter. The case is handled by Sakkie Smith Attorneys in Mogwase and is still in progress.

Mogaki Civils

Flowing from the Van Heerden case above, a further claim was received from Mogaki Civils for an amount of R 470 426.30. This is a legitimate claim since the Municipality entered into a cession agreement to this amount with Lefika La Thaba and Mogaki Civils. They were informed of the situation and have not taken any action. Municipality has filed all necessary papers but no correspondence in last two years. Van Heerden (Dominus Litis) needs to make the next move. The Municipality will incur costs after the exact amounts due to the following parties had been established. Still in progress. The case is handled by Sakkie Smith Attorneys in Mogwase.

Mafoko Brothers

Received letter of demand, related Tender 004/MKLM/2015/2016. The letter of demand states a claim amount, as at 12 November 2018, for R 319 919.34. Municipality defended on basis that claim is for unauthorised work done and that the consultant should be held responsible for payment. Consultant was however liquidated. Mafoko Brothers instituted legal action and obtained cost order against municipality. LM Pretorius Attorneys is defending the case.

Enigma chartered Accountants

Enigma was appointed on a commission basis of 20% (All inclusive) on all monies due to the Municipality collected. After expiry of their contract they claim an amount of R 5 211 874.84 being Value Added Tax. The Municipality is defending the claim on basis of the "All inclusive" provision.

The case is handled by Setshedi, Makgale and Matlapeng Attorneys in Rustenburg.

MTN

MTN claims an amount of R 90 484.06 for unpaid services. They allege that there was a contract which the Municipality has breached. More information has been requested. No legal action taken yet.

Department of Local Government and Human Settlements

In the past the municipality received funds from the Department of Local Government and Human Settlements to be utilised for the Housing Subsidy System. Of the funds received the department has concluded that there is an unspent portion of R 32 591 311 by the municipality. The municipality is challenging this claim.

Intelligence Trading

Claim by Intelligence Trading for R 3 525 398.31 for outstanding monies on Tender 020/MKLM/2015/2016. Letter of demand received from DupWest Inc on 19 August 2020. No legal action taken yet.

Fencecor Construction

Fencecor Construction was a sub-contractor for construction of the new Mogwase Waste Disposal Site. Fencecor is suing the Municipality for payment of R 2 842 111 which flows from a cession/direct payment agreement between the main contractor, Fencecor and the Municipality.

The Municipality is defending the matter since maximum amount of cession has already been paid and exceeded. The case is currently in Court and we are awaiting finalisation and verdict. . It is unlikely that Municipality will incur any further costs. In the current year the possibility of outflow of resources has been considered to be remote because there were was no movement on the case for the last 3 years.

Rakidi

Claim for R 74 715.00 for written-off taxi allegedly caused by municipality's driver Mr. Boqo. Insurance needs blood test results before paying out but SAPS not willing to release blood test results until case is finalised. Sheriff attached one



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39. Contingencies (continued)

municipal vehicle but not yet removed. Municipality defending on basis that employee (Boqo) performed a delictual act, in defiance of an express instruction and outside the course and scope of his employment and therefore not vicariously liable. Court ruled in Municipality's favour and the matter has hopefully been concluded. No further expenses is expected to be incurred by the Municipality. Case is handled by Pretorius Attorney. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.

Claim for death-Konopi & Tsatsimpe

Claim for R 9,4 Million (4,7 Million x 2 children) for death of breadwinner on road between Sun City and Mabeskraal. Municipality is the second defendant and the Department of Public Works the first defendant. Municipality is defending the case based on fact the municipality is not responsible for maintenance of the road and therefore not liable for death. The case is still in progress and is handled by Pretorius Attorneys. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.

Ramathunya/Seeletso JV

Claim for R 343 585.70 on Tender 019/MKLM/2013/2014(A&B). Matter defended stating that MKLM only owing R 236 653.55 plus VAT at 14%. Municipality only paid the amount of R 236 653.55 since the JV does not exist anymore. MKLM requested the attorneys to submit an invoice for the VAT amount but they turned out to be non-compliant in terms of tax matters. The MKLM can therefore not pay over the VAT since it will not be in a position to claim it back from SARS. The attorneys of the JV has since lodged a claim for the VAT amount which has been placed in dispute and is defended. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.

Vick Pule Construction

Claim for R 1 146 003.85 from Vick Pule Construction, being unpaid retention monies and additional repairs done, on Tender 001/MKLM/2015/2016. Currently under investigation. No legal action instituted yet. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.

Mr. I.M. Mokoena

Claim for compensation for injuries sustained due to pothole on road R556 Sun City Road. No amount stated yet as it is still being determined by experts. The case is handled by Shuping Attorneys in Rustenburg. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.

Mr. P.N. Makganya

Claim by Mr. Makganya for damages sustained due to alleged accident with municipal employee, Mr. Z. Mooketsi, to the amount of R 34 763.73. Sheriff with execution order at Moses Kotane municipal offices – attached assets but not removed. Case defended on basis that last correspondence was received in 2016 and no notices were since delivered to the execution debtors, MKLM and Mooketsi. The case is handled by Sakkie Smith Attorneys in Rustenburg. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.

Vega Turnkey Projects

Claim by Vega for R 141 640.79 on Tender 025/MKLM/2011/2012, High Mast Lighting Tlokweg. Letter of demand received. Case still being investigated. In the current year the possibility of outflow of resources has been considered to be remote because there was no movement on the case for the last 3 years.



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40. Related parties

Relationships

Councillors For details of councillors remuneration refer to note 26.

Head of Departments

Municipal Manager

Chief Financial Officer

Community Services

Planning and Development

Technical Services

Local Economic Development

Mr M.V Letsoalo

Mr M Mkhize

Mr S Kotsedi

Mr M Makgoba

Mr B Maseloane

Ms G.R Madikela

Related party transactions

The services rendered to related parties are charged at approved tariffs that were advertised to the public. The amounts outstanding are unsecured and will be settled in cash .

Compensation of related parties

Compensation of Key Management Personnel and Councillors is set out in notes 25 and 26 of the Annual Financial Statements.

41. Change in accounting estimate

Property, plant and equipment

The remaining useful life (RUL) is an estimation of the amount of years that the asset will be able to safely perform its intended function. During the 2020/2021 financial year physical verification of assets occurred and part of the procedures regarding physical verification is the condition assessment of assets. The condition of an asset has a direct impact on the remaining useful life of an asset. The impact of the condition assessment performed resulted in decrease in depreciation by R 1 233 740.



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42. Prior period errors

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

Investment property

Investment property was overstated by R 3 806 309 in the prior year due to properties that were sold in the previous years but were still included in the investment property register.

Property plant and equipment

During the year we noted that property plant and equipment was understated due to errors the following errors:

(a) Infrastructure WIP was understated by R 1 409 634 due to invoices paid in the current financial year, of which the expenditure was incurred in the 2019/2020 financial year.

(b) Community assets were understated in the prior year by R 316 777.02 as result of invoices that were paid in the current year of which the expenditure was incurred in the prior year.

(c) In the prior year infrastructure assets were understated by R 5 959 033 and WIP infrastructure was overstated by R 4 166 091.59.

(d) Motor vehicles were overstated by R 180 928 in the prior year due to vehicles that had an accident in the 2019/2020 financial year but were still included in the asset register.

Intangible Assets

Intangible assets were understated due to the errors below:

(a) The Evenus system was incorrectly capitalised instead of being expensed, the correction of the resulted in decrease in intangible assets by R 145 599.

(b) In the current year we noted that Desktop Software and Server Software had an indefinite useful life but there were previously amortised. Correction of the error resulted in an increase in intangible assets by R 231 653.

Receivables from non exchange transaction

Sundry debtors were overstated in the prior year because there was no assessment of impairment at reporting date. The correction of the mistatement resulted in decrease in receivable from exchange transactions by R 932 394.

Consumer debtors

In the prior year gross consumer debtors was overstated and the allowance for impairment was also overstated due to billing made to invalid accounts. The correction of these errors resulted in decrease in gross consumer debtors by R 10 099 995 and decrease in allowance for impairment by R 10 098 992.

Payables from exchange transactions

Payables were understated due to payments made in the current year but were not accrued for at year end. The correction of the error resulted in increase in payables by R 13 259 931.

Vat

Vat was understated by R 561 055 due to errors made in prior year.

Revenue

Revenue was overstated due to billing errors. Correction of these errors resulted in:

Decrease in Service charges	R 1 066 681
Decrease in Property Rates	R 188 889
Decrease in Interest from non exchange	R 185 948
Decrease in Interest from exchange	R 345 764

Employee related cost

During the year we noted that employee related cost was understated by R 1 040 392, due to incorrect accounting for accrued bonus.

Depreciation

Depreciation was understated by R 30 489 due to errors and omissions on the asset registers.

Expenses

Expenses were understated due to invoice paid in the current year but relating to prior. Correction of these errors resulted in:

Increase in repairs and maintenance	R 32 775
Increase in contracted services	R 423 045
Increase in general expenses	R 5 051 376.

General expenses were overstated and financial losses were understated by R 33 103 678 due to expenditure paid per the signed agreement of which there was no evidence that the goods were received and services were rendered.

Debt Impairment

Debt impairment was overstated due the errors on the impairment calculation, correction of these errors resulted in decrease in debt impairment by 1 787 282.



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42. Prior period errors (continued)

Reclassifications

Receivables from non exchange transaction

In the current year the municipality reclassified an amount of R 1 791 297 from current assets to non current assets. The amount relate to eskom deposits of which the amount is not expected to be realised within twelve months after the reporting date

Employee benefits

In the prior year provisions were overstated by R 16 651 000 due to long service awards that were accounted for as provisions instead of employee benefits.

Expenses.

During the year we noted that expenses were incorrectly classified. The reclassification of these expenses resulted in decrease in contracted services and increase in general expenses by R 84 786 681.

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43. Prior period errors and reclassifications

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					
Non-Current Assets					
Investment property		154 834 422	(3 806 309)	-	151 028 113
Property, plant and equipment		2 916 955 731	3 338 466	-	2 920 294 197
Intangible Assets		13 898 513	86 054	-	13 984 567
Heritage assets		14 000	-	-	14 000
Receivables from non exchange transactions		-	-	1 791 297	1 791 297
Current Assets					
Inventories		9 751 478	-	-	9 751 478
Receivables from non exchange transactions		4 230 725	(932 394)	(1 791 297)	1 507 034
Vat receivables		16 865 996	77 624	-	16 943 620
Consumer debtors		66 738 120	(1 003)	-	66 737 117
Non current assets held for sale		2 335 533	-	-	2 335 533
Cash and cash equivalents		48 779 535	-	-	48 779 535
Liabilities					
Non-current liabilities					
Other financial liabilities		(22 656 329)	-	-	(22 656 329)
Employee benefit obligation		-	-	(14 626 000)	(14 626 000)
Provisions		(30 928 154)	-	14 626 000	(16 302 154)
Current liabilities					
Other financial liabilities		(13 331 560)	-	-	(13 331 560)
Payables from exchange transactions		(246 349 126)	(13 259 931)	-	(259 609 057)
Employee benefit obligation		-	-	(2 025 000)	(2 025 000)
Unspent conditional grants and receipts		(42 631 422)	-	-	(42 631 422)
Provisions		(3 615 512)	-	2 025 000	(1 590 512)
Accumulated surplus		(2 874 891 950)	14 497 493	-	(2 860 394 457)
		-	-	-	-



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43. Prior period errors and reclassifications (continued)

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Revenue from exchange transactions					
Service charges		176 992 179	(1 066 681)	-	175 925 498
Interest received		46 684 559	(345 764)	-	46 338 795
Commission received		195 294	-	-	195 294
Rental income		83 677	-	-	83 677
Sale of stands		19 111	-	-	19 111
Other income		2 388 074	-	-	2 388 074
Revenue from non-exchange transaction					
Property rates		141 209 467	(188 889)	-	141 020 578
Interest-taxation revenue		21 300 719	(185 948)	-	21 114 771
Government grants & subsidies		599 073 120	-	-	599 073 120
Fines, penalties and forfeits		5 600 000	-	-	5 600 000
Expenditure					
Employee related costs		(235 992 526)	(1 040 392)	-	(237 032 918)
Remuneration of councillors		(27 006 683)	-	-	(27 006 683)
Depreciation and amortisation		(147 787 108)	(30 489)	-	(147 817 597)
Finance costs		(5 347 470)	-	-	(5 347 470)
Lease rentals on operating lease		(1 703 225)	-	-	(1 703 225)
Debt impairment		(201 036 122)	1 787 282	-	(199 248 840)
Repairs and maintenance		(43 510 147)	(32 775)	-	(43 542 922)
Bulk purchases		(106 261 836)	-	-	(106 261 836)
Contracted services		(126 871 597)	(423 045)	84 786 681	(42 507 961)
Financial losses		-	(33 103 678)	-	(33 103 678)
General expenses		(89 041 394)	28 052 302	(84 786 681)	(145 775 773)
Loss on disposal of assets and liabilities		(6 704 291)	-	-	(6 704 291)
Impairment loss		(2 828 061)	-	-	(2 828 061)
Inventories losses/write downs		(53 282)	-	-	(53 282)
Surplus (deficit) for the year		(597 542)	(6 578 077)	-	(7 175 619)

Notes to the financial statements



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43. Prior period errors and reclassifications (continued)					
2020					
	Note	As previously reported	Correction of error	Re-classification	Restated
Contracted services					
Business and Advisory		21 131 836	-	(21 131 836)	-
Call Centre		6 537 522	-	-	6 537 522
Cleaning Services		11 470	-	(11 470)	-
Community Development		77 809	-	(77 809)	-
Refuse Removal		21 152 233	423 045	-	21 575 278
Security Services		22 490 495	-	(22 490 495)	-
Sewerage Services		53 633 002	-	(53 633 002)	-
Transport Services		1 837 230	-	(1 837 230)	-
Accounting Fees		-	-	5 401 130	5 401 130
Vat Consultants Fees		-	-	2 681 973	2 681 973
Debt Collection Fees		-	-	6 312 058	6 312 058
		126 871 597	423 045	(84 786 681)	42 507 961
General expenses					
Audit fees		4 579 808	-	-	4 579 808
Advertising		417 187	-	(417 187)	-
Bank charges		265 715	-	(265 715)	-
Consulting and professional fees		1 840 633	-	(1 840 633)	-
Consumables		1 574 500	-	(1 574 500)	-
Catering services		872 800	-	(872 800)	-
Entertainment		327 477	-	(327 477)	-
Fines and penalties		329 464	-	-	329 464
Hire		1 818 785	-	(1 818 785)	-
Insurance		1 583 136	-	-	1 583 136
Community development and training		5 609 307	-	(5 609 307)	-
Conferences and seminars		10 261	-	(10 261)	-
Motor vehicle expenses		98 250	-	(98 250)	-
Fuel and oil		10 240 453	78 948	1 403 794	11 723 195
Postage and courier		7 823	-	(7 823)	-
Software expenses		897 626	-	(897 626)	-
Staff welfare		4 051 441	-	-	4 051 441
Subscriptions and membership fees		2 485 887	254 900	-	2 740 787
Telephone and fax		13 398 438	-	-	13 398 438
Training		863 799	-	(110 790)	753 009
Travel - local		1 758 404	-	(834 091)	924 313
Rural sanitation		7 065 068	-	-	7 065 068
Electricity		24 541 752	-	-	24 541 752
Uniforms		903 111	-	-	903 111
Chemicals		3 500 269	-	(3 500 269)	-
Assets management fees		-	-	4 015 015	4 015 015
Legal fees		-	96 861	1 919 661	2 016 522
IT expenses		-	4 292 750	54 378 299	58 671 049
Valuation fees		-	-	753 424	753 424
Financial systems		-	143 230	1 968 235	2 111 465
Security		-	-	22 490 495	22 490 495
Water tankering		-	-	615 160	615 160



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43. Prior period errors and reclassifications (continued)			
Ward committee fees	-	4 837 016	4 837 016
Water quality and chemicals	-	3 102 795	3 102 795
Other expenses	184 687	7 488 298	7 672 985
	89 041 394	5 051 376	84 786 678
		178 879 448	

Notes to the financial statements

Irregular expenditure

Opening balance	1 128 611 143	-
Adjustments made	107 284 028	-
Restated opening balance	1 235 895 171	-

Irregular expenditure was understated in the prior year due to errors and omissions on the irregular expenditure register. Correction of these errors resulted in an increase in irregular expenditure by R 107 284 028.

Commitments

Opening balance	131 055 664	-
Adjustments made	(57 938 212)	-
Restated opening balance	73 117 452	-

During the year we noted that commitments were overstated by R 57 938 212, due to calculation errors and omissions made on the commitments register.

Fruitless and wasteful expenditure

Opening balance	13 155 131	-
Adjustments made	98 788 736	-
Restated opening balance	111 943 867	-

Fruitless and wasteful expenditure was understated in the prior year by R 98 788 736 due to ICT expenditure incurred in the previous years, which might have been made in vain. The expenditure is still under investigation.

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.



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44. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liabilities are managed by ensuring that all contractual payments met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The 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. 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.

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	8 063 281	10 564 148	4 031 761	-
Trade and other payables	107 233 026	-	-	-
	115 296 307	10 564 148	4 031 761	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	8 144 302	10 939 230	6 936 936	1 870 460
Trade and other payables	158 432 950	-	-	-
	166 577 252	10 939 230	6 936 936	1 870 460



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44. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

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

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument	Economic entity - 2020	2021	2020
Receivables from exchange transactions	-	-	-
Receivables from non exchange transactions	-	4 534 882	3 298 331
Cash and cash equivalents	-	61 596 731	48 779 535
Consumer debtors	-	129 471 547	66 737 117

Market risk

Interest rate risk

Interest rate risk is defined as that fair value of future cashflows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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.



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44. Risk management (continued)

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

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

45. Going concern

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

The municipality is experiencing cashflow challenges as a result of low debtors collection rate which has an impact on the municipality's ability to pay creditors timeously. This results in material uncertainty for the municipality to continue as going concern as it has to rely on grants from national government in order to meet the working capital, however ability of the municipality to continue as a going concern is dependent on a number of factors not just the financial factors. The municipality is a service delivery vehicle of government and there has not been any indication from National Government to discontinue the operation of the municipality and the medium term revenue and expenditure framework has made allocations to the municipality. The most significant of these is that the accounting officer will continue to procure funding for the ongoing operations of the municipality.

46. Unauthorised expenditure

Opening balance as previously reported	511 956 738	380 641 028
Correction of prior period error	-	28 282 459
Opening balance as restated	511 956 738	408 923 487
Add: Expenditure identified - current	133 238 930	103 033 251
Less: Write off	(412 665 024)	-
Closing balance	232 530 644	511 956 738

The write off refers to Non Cash items which were condoned by council per Item 90/03/2021 (R341 387 296) and Item 91/03/2021 (R61 152 741). It also refers to Cash Items regarding Sanitation (VIP Toilets) which is funded by MIG and provided under the capital budget per Item 90/03/2021 (R8 085 015) and Item 91/03/2021 (R2 039 972).

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	69 877 723	61 152 741
Cash	63 361 207	41 880 510
	133 238 930	103 033 251



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46. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Depreciation and amortisation	13 386 998	15 053 221
Loss on disposal of property, plant and equipment	4 095 960	6 704 292
Provision of impairment	52 394 765	39 083 070
Provision for long service awards	-	312 158
	69 877 723	61 152 741

Analysed as follows: cash

Computer software and licenses	-	7 064 885
Cell and telephone cost	-	3 143 829
Fuel and oil	-	2 993 697
Sanitation VIP toilets	27 921 296	2 039 972
Bulk purchases water	31 213 074	19 617 389
Business management fees	2 148 095	-
Audit fees	806 116	1 579 808
Refuse removal	1 272 626	2 352 234
Security services	-	3 088 696
	63 361 207	41 880 510

Unauthorised expenditure: Budget overspending – per municipal department

Municipal Manager	2 954 211	1 891 966
Corporate Services	-	10 728 770
Community Services	5 987 598	24 304 432
Technical and infrastructure	124 297 121	66 108 083
	133 238 930	103 033 251



Moses Kotane Local Municipality

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Figures in Rand	2021	2020
47. Fruitless and wasteful expenditure		
Opening balance as previously reported	13 155 131	10 446 371
Correction of prior period error	98 788 737	1 435 267
Opening balance as restated	111 943 868	11 881 638
Add: Expenditure identified - current	2 822 000	1 273 493
Closing balance	114 765 868	13 155 131

Details of fruitless and wasteful expenditure

	Details of fruitless and wasteful expenditure still under investigation	
IT Expenditure	98 788 737	-
Interest on overdue accounts	12 524 338	11 201 158
Community Hall construction expenditure	385 825	385 825
Fines	20 000	20 000
Reversal of recoverable amount	1 218 685	1 218 685
Penalties	1 828 283	329 463
	114 765 868	13 155 131

IT expenditure relates to expenditure that is currently under investigation to determine if value derived match the expenditure incurred. At the conclusion of the investigation, if the contract is established as fruitless and wasteful expenditure, were the value derived does not match up with the payments made, a receivable will be created for the recovery of the loss from the person/s responsible.

The municipality incurred interest as a result of late payments on Magalies Water, Telkom and Eskom accounts.

Construction expenditure relates to expenditure incurred on the construction of a Hall in an area reserved for mining expansion during 2014/15 financial year.

Fruitless and wasteful expenditure was reported to Council and referred to MPAC for further investigation.



Moses Kotane Local Municipality

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Figures in Rand	2021	2020
48. Irregular expenditure		
Opening balance as previously reported	1 128 611 143	532 469 514
Correction of prior period errors	107 284 028	478 632 577
Opening balance as restated	1 235 895 171	1 011 102 091
Add: Irregular Expenditure - current	124 151 766	145 727 962
Less: Amount written off - current	-	(28 218 910)
Closing balance *	1 360 046 937	1 128 611 143

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

	Disciplinary steps taken/criminal proceedings	
Competitive bidding not invited	69 929 884	84 957 484
Three written quotations not invited	113 260	1 654 456
		-
Tax clearances not obtained	12 038	38 331
Regulation 32 appointments	9 192 104	30 103 270
SCM process not followed	16 412 621	4 818 800
Deviations	27 858 101	24 155 620
Non disclosure of interest	633 758	-
	124 151 766	145 727 961

* Irregular expenditure disclosed is exclusive of VAT.

Cases under investigation

Irregular expenditure was reported to Council and has resolved on referring the expenditure to MPAC for further investigations, investigations for other causes of irregular expenditure are in progress. The municipality is in the process of complying with MFMA section 170 condonement. All possible irregular expenditure transactions are being investigated, once all technical processes are finalised and satisfied that transactions are indeed the register will be updated with those transactions.



Moses Kotane Local Municipality

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49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government-SALGA

Current year subscription / fee	2 921 924	2 730 770
Amount paid - current year	(2 921 924)	(2 475 870)
Outstanding Balance	-	(254 900)
	-	-

Audit fees

Current year subscription / fee	5 484 707	4 579 808
Amount paid - current year	(4 309 577)	(4 579 808)
	1 175 130	-

PAYE and UIF

Current year subscription / fee	38 211 835	36 204 152
Amount paid - current year	(38 211 835)	(27 966 107)
	-	8 238 045

Pension and Medical Aid Deductions

Current year subscription / fee	42 642 261	38 653 300
Amount paid - current year	(42 642 261)	(38 653 300)
	-	-

VAT

VAT receivable	23 512 251	16 943 620
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All VAT returns have been submitted by the due date throughout the year.



Moses Kotane Local Municipality

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding more than 90 days R	Total R
Councillor A Letswamotse	985	985
Councillor A Nquthula	11 590	11 590
Councillor C Motshabi	14 958	14 958
Councillor D Chaka	14 554	14 554
Councillor D Radiokana	14 967	14 967
Councillor G Kgarimetsa	31 719	31 719
Councillor G Madisa	2 743	2 743
Councillor J E G Ditshwene	98 195	98 195
Councillor J M Segale	14 996	14 996
Councillor K Kapari	3 771	3 771
Councillor L Kapari	52 967	52 967
Councillor M Nkotswe	17 689	17 689
Councillor MS Mabitsela	27 317	27 317
Councillor P Thoboke	39 123	39 123
Councillor R Motlhaga	53 520	53 520
Councillor RJ Manganye	23 582	23 582
Councillor S Rasepae	3 689	3 689
	426 365	426 365

30 June 2020	Outstanding more than 90 days R	Total R
Councillor D Chaka	11 626	12 361
Councillor D.S Kodongo	12 523	12 656
Councillor J.E.D Ditshwene	4 325	4 531
Councillor L Kapari	3 036	3 217
Councillor G Kgarimetsa	26 114	27 357
Councillor L.M Mmolawa	53 405	55 422
Councillor R.P Motlhaga	4 491	4 692
Councillor C.N Motshabi	10 698	11 736
Councillor M.S Mabitsela	21 938	23 266
Councillor M Nkotswe	13 463	14 932
Councillor A Nquthula	8 767	10 012
Councillor D.H Radiokana	4 497	4 698
Councillor R.J Manganye	19 394	20 540
Councillor J.M Segale	13 083	14 362
Councillor P Thoboke	17 108	33 926
Councillor A Letswamotse	952	961
	225 420	254 669



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

Purchase from persons in service of the state

In terms of section 45 of the municipal SCM regulation, any award above R2 000 to family of employees in the service of the state must be disclosed in the financial statements. During the year the municipality made the following payments to companies/persons in the service of the state:

Supplier Name	Related person	Organ of the State	Capacity at Municipality	Relationship	2021	2020
Oarabile Projects Pty Ltd	M.I Ramasodi	National Trade and Industry	Supplier	State employee	28 986	29 940
White Leopard Trading	B.R Makola	Department of Education	Supplier	State employee	-	518 274
Genplay Broadcast Media	Kefilwe Motloba	Transnet Group	Supplier	State employee	79 925	66 948
Gijima Holdings Pty Ltd	Ashwin Hirjee Trimjee	The Kwazulu Natal Royal Household Trust	Supplier	State employee	20 850	27 800
Mo Kasi Creations and Media Pty Ltd	M.S Magoro	Moses Kotane Local Municipality	Building Inspector	Business associates	536 942	48 860
Keletsabotselo Solutions Pty Ltd	P Nqothula	Moses Kotane Local Municipality	Councillor	Business associates	-	9 080
Malebogo Trading and Projects Pty Ltd	S.T Tladi	Moses Kotane Local Municipality	Councillor	Business associates	-	15 000
Phepo Ntle Consultancy and Projects	L Lamola	Moses Kotane Local Municipality	Security Officer	Spouse	-	3 750
					666 703	719 652



Moses Kotane Local Municipality

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50. Deviation from supply chain management regulations

Section 36 of the Municipal Supply Chain Regulations states that the accounting officer may dispense with the official procurement processes established goods or services by the applicable supply chain policy and procure any required goods or services through any convenient process which may include direct negotiations, but only in (i) in an emergency, (ii) if such goods or services are produced or available from a single provider, (iii) for the acquisition of special works of art or historical where specifications are difficult to compile, (iv) acquisitions of animals for zoos or (v) in any exceptional case where it is impractical or impossible to follow the official.

Description

Deviation as per section 36(1)(i) of the SCM regulations	2 489 190	7 711 822
Deviation as per section 36(1)(ii) of the SCM regulations	432 735	165 755
Deviation as per section 36(1)(v) of the SCM regulations	42 106 883	66 916 964
	45 028 808	74 794 541

Supplier	Reasons	Amount
TRUVELO MANUFACTURERS PTY LTD	SOLE TRADER	5 119
ADAPT IT PTY LTD	SOLE SUPPLIERS	82 720
EARLY WORX	SOLE SUPPLIER	3 956
GOVERNMENT PRINTING WORKS	SOLE SUPPLIER	13 114
BATJILELA SERVICE STATION	SOLE SUPPLIER	140 000
IIASA	SOLE SUPPLIER	15 307
SOUTH AFRICAN POST OFFICE	SOLE SUPPLIER	149 760
TOTAL COMPUTER SERVICES	SOLE SUPPLIER	22 759
LETHABILE PTY LTD	EMERGENCY AND URGENT PROCUREMENTS	280 000
KULIKOV WIRELESS SOLUTIONS PTY LTD	EMERGENCIES AND URGENT PROCUREMENTS	123 984
SEGAI HOLDINGS	EMERGENCIES AND URGENT PROCUREMENTS	149 100
BCX BUSINESS CONNECTION	EMERGENCIES AND URGENT PROCUREMENTS	31 766
MABASA SUPPLIERS	EMERGENCIES AND URGENT PROCUREMENTS	1 290 000
KULIKOV WIRELESS SOLUTIONS	EMERGENCIES AND URGENT PROCUREMENT	107 813
SHARIKE HOLDING	EMERGENCIES AND URGENT PROCUREMENT	68 918
MAFIKA PRODUCTION	EMERGENCIES AND URGENT PROCUREMENT	60 000
MARANJE CONSULTING	EMERGENCIES AND URGENT PROCUREMENT	353 769
RUSTENBURG KEYHOLE CC	EMERGENCIES AND URGENT PROCUREMENT	23 840



Moses Kotane Local Municipality

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Notes to the Annual Financial Statements

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50. Deviation from supply chain management regulations (continued)		
KGATLENG COMMUNITY HALL ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		15 000
PHILLIP INDUSTRIES ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		5 000
RADIO MAFISA ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		10 000
DEO WATER SERVICES ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		34 949
KONIKA MINOLTA ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		724 404
QUICK ACTS PTY LTD ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		45 000
TRUVELO MANUFACTURES PTY LTD ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		10 527
MARUMO CONSULTING ENGINEERS ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		12 000 000
MATH ENGINEERING ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		4 448 817
MORERO CONSULTING ENGINEERS ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		15 000 000
ROYAL MARANG HOTEL ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		10 120
BAOKEDITSWE MACHAMA INVESTMENT ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		12 300
LM PRETORIUS ATTORNEYS ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		12 320
PANEL BEATING UNLIMITED ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		27 500
TOTAL COMPUTER SERVICE ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		136 568
MK63 SECURITY SERVICES ANY EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS		9 614 378
		45 028 808



Moses Kotane Local Municipality

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51. Segment information

General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment are not required to be disclosed.

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment

Executive & Council

Finance & Administration

Economic & Environmental Services

Roads

Community &
Public Safety

Energy Sources

Goods and/or services

Provision of overall governance to other segments of the municipality.

Provision of financial and administrative services to other segments of the municipality.

Provision of economic development activities in the municipality.

Construction and maintenance of roads owned by the municipality.

Construction and maintenance of community facilities owned and ensuring safety and security to the communities by the municipality.

Construction of street lights and highmast lights.



Moses Kotane Local Municipality

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51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Executive & Council	Finance & Administration	Economic & Environmental Services	Roads	Community & Public Safety	Energy Sources	Water management	Waste water management	Waste management	Total
Revenue										
Service charges	-	-	-	-	-	-	160 492 822	2 920 634	10 822 842	174 236 298
Interest earned on outstanding debtors-(trading)	-	50 055 259	-	-	-	-	-	-	-	50 055 259
Commissions received	-	90 997	-	-	-	-	-	-	-	90 997
Rental Income	-	73 926	-	-	-	-	-	-	-	73 926
Other Income	-	997 924	113 665	-	30 194	-	79 226	-	-	1 221 009
Property Rates	-	144 972 077	-	-	-	-	-	-	-	144 972 077
Interest earned on outstanding debtors-(taxation revenue)	-	21 686 192	-	-	-	-	-	-	-	21 686 192
Government grants and subsidies	5 905 032	328 462 845	3 093 970	69 155 065	11 543 233	10 394 543	209 869 637	56 220 714	68 858 903	763 503 942
Fines	-	-	-	-	1 209 250	-	-	-	-	1 209 250
Total segment revenue	5 905 032	546 339 220	3 207 635	69 155 065	12 782 677	10 394 543	370 441 685	59 141 348	79 681 745	1 157 048 950
Entity's revenue										1 157 048 950



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	Executive & Council	Finance & Administration	Economic & Environmental Services	Roads	Community & Public Safety	Energy Sources	Water management	Waste water management	Waste management	Total
51. Segment information (continued)										
Expenditure										
Employee costs	(27 461 298)	(101 393 217)	(23 087 670)	(8 465 038)	(32 492 213)	(4 158 037)	(43 085 668)	(13 451 966)	(2 632 355)	(256 227 462)
Remuneration of councillors	(28 103 988)	-	-	-	-	-	-	-	-	(28 103 988)
Depreciation and amortisation	(361 966)	(4 808 319)	-	(46 451 211)	(29 392 532)	(3 083 582)	(51 852 213)	(2 771 290)	(795 712)	(139 516 825)
Finance costs	-	(2 709 731)	-	(380 794)	-	(355 614)	(795 382)	-	-	(4 241 521)
Lease rentals	-	(760 870)	-	-	-	-	-	-	-	(760 870)
Debt impairment	-	(33 893 259)	-	-	1 629 711	-	(155 311 565)	(2 094 224)	(15 026 143)	(204 695 480)
Repairs and maintenance	-	(11 108 004)	-	(2 206 229)	(64 665)	(999 283)	(26 183 048)	(1 710 733)	(11 196 331)	(53 468 293)
Bulk purchases	-	-	-	-	-	-	(104 944 858)	-	-	(104 944 858)
Contracted services	-	(32 874 716)	-	-	-	-	-	-	(22 885 553)	(55 760 269)
General expenses	(12 518 449)	(38 072 879)	(2 533 104)	-	(31 574 101)	(23 523 702)	(8 100 197)	(30 862 634)	(67 390)	(147 252 456)
Loss on disposal of assets	-	1 758 592	-	(2 749 180)	-	-	(3 873 960)	-	-	(4 864 548)
Fair value adjustment	-	945 500	-	-	-	-	-	-	-	945 500
Impairment loss	-	(21 726)	-	-	(222 000)	-	-	-	-	(243 726)
Inventories losses/write - downs	-	(455 157)	-	-	-	-	-	-	-	(455 157)
Total segment expenditure	(68 445 701)	(223 393 786)	(25 620 774)	(60 252 452)	(92 115 800)	(32 120 218)	(394 146 891)	(50 890 847)	(52 603 484)	(999 589 953)
Total segmental surplus/(deficit)	(62 540 669)	322 945 434	(22 413 139)	8 902 613	(79 333 123)	(21 725 675)	(23 705 206)	8 250 501	27 078 261	157 458 997

2020



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51. Segment information (continued)

	Executive & Council	Finance & Administration	Economic & Environmental Services	Roads	Community & Public Safety	Energy Sources	Water management	Waste water management	Waste management	Total
Revenue										
Service charges	-	-	-	-	-	-	163 352 194	2 659 221	9 914 083	175 925 498
Interest received (trading)	-	46 338 795	-	-	-	-	-	-	-	46 338 795
Commissions received	-	195 294	-	-	-	-	-	-	-	195 294
Rental income	-	77 818	-	-	5 859	-	-	-	-	83 677
Sale of stands	-	19 111	-	-	-	-	-	-	-	19 111
Other income	-	2 154 043	133 970	-	50 128	-	49 932	-	-	2 388 073
Property rates	-	141 020 578	-	-	-	-	-	-	-	141 020 578
Interest - Taxation revenue	-	21 114 771	-	-	-	-	-	-	-	21 114 771
Government grants and subsidies	1 559 133	267 897 351	3 342 535	51 989 682	29 724 698	15 484 099	148 445 316	25 630 306	55 000 000	599 073 120
Fines, Penalties and Forfeits	-	-	-	-	5 600 000	-	-	-	-	5 600 000
Total segment revenue	1 559 133	478 817 761	3 476 505	51 989 682	35 380 685	15 484 099	311 847 442	28 289 527	64 914 083	991 758 917
Entity's revenue										991 758 917



Moses Kotane Local Municipality

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	Executive & Council	Finance & Administration	Economic & Environmental Services	Roads	Community & Public Safety	Energy Sources	Water management	Waste water management	Waste management	Total
51. Segment information (continued)										
Expenditure										
Employee related cost	(26 632 300)	(90 481 053)	(19 836 160)	(7 703 240)	(30 954 959)	(3 572 754)	(42 097 408)	(12 987 728)	(2 767 317)	(237 032 919)
Remuneration of councillors	(27 006 683)	-	-	-	-	-	-	-	-	(27 006 683)
Depreciation and amortisation	(1 751 115)	(11 207 381)	(274 416)	(50 765 555)	(27 552 440)	(2 922 340)	(49 630 510)	(2 754 188)	(959 651)	(147 817 596)
Finance cost	-	-	-	(461 379)	(3 404 448)	(475 950)	(1 005 693)	-	-	(5 347 470)
Lease rentals on operating lease	-	(1 703 225)	-	-	-	-	-	-	-	(1 703 225)
Debt Impairment	-	(45 406 384)	-	-	(5 412 891)	-	(132 936 200)	(1 571 050)	(13 922 315)	(199 248 840)
Repairs and maintenance	-	(5 611 580)	-	(3 777 164)	(2 691 016)	(244 640)	(17 461 836)	(2 186 089)	(11 570 599)	(43 542 924)
Bulk purchases	-	-	-	-	-	-	(106 261 836)	-	-	(106 261 836)
Contracted services	-	(20 932 684)	-	-	-	-	-	-	(21 575 278)	(42 507 962)
General Expenses	(14 449 800)	(93 156 534)	(247 935)	(117 924)	(34 537 987)	(24 975 187)	(3 615 693)	(7 324 862)	(453 526)	(178 879 448)
Loss/Gains on disposal of assets and liabilities	-	(404 838)	-	(5 316 585)	538 684	-	(1 521 552)	-	-	(6 704 291)
Inventory losses	-	(53 282)	-	-	-	-	-	-	-	(53 282)
Impairment of assets	(9)	(2 828 052)	-	-	-	-	-	-	-	(2 828 061)
Total segment expenditure	(69 839 907)	(271 785 013)	(20 358 511)	(68 141 847)	(104 015 057)	(32 190 871)	(354 530 728)	(26 823 917)	(51 248 686)	(998 934 537)
Total segmental surplus/(deficit)	(68 280 774)	207 032 748	(16 882 006)	(16 152 165)	(68 634 372)	(16 706 772)	(42 683 286)	1 465 610	13 665 397	(7 175 620)



Moses Kotane Local Municipality

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51. Segment information (continued)

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment are not required to be disclosed..

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies,.e.

The nature and effect of any changes from prior periods in the measurement methods used to determine reported segment surplus or deficit

The Municipality had no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about geographical areas

Although the Municipality operates in a number of geographical areas (i.e.wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

52. Budget differences

Material differences between budget and actual amounts



Moses Kotane Local Municipality

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52. Budget differences (continued)

- 52.1 The variance is mainly due to decrease in sale of water as a result of the Covid 19 Lockdown..
- 52.2 The variance is due to increase in outstanding debtors than expected.
- 52.3 The difference is due to over budget for revenue from property rates.
- 52.4 Slowspending is due to late appointment of contractors and community unrest which delayed the appointment of contractors. In addition the lockdown also influenced the spending on projects.
- 52.5 There were no camera fines issued during the year.
- 52.6 The amount saved on employee related cost is due to vacant positions not filled in the current year as expected.
- 52.7 The variance was due to vacancies during the current year.
- 52.8 The variance is mainly due to the restatement of property, plant and equipment..
- 52.9 The variance is due to the finance chages for the landfill site that were not budgeted for.
- 52.10 The variance is due to increase in non performing debtors.
- 52.11 The varience is due to less mantainance done in the current year than expected because of the COVID-19 regulations.
- 52.12 The varience was due to insuffient budget and also increase in water consumption due to lockdown.
- 52.13 The varience was due to insufficient budget for consultants.
- 52.14 The main reason for the overspending is due to sanitation (VIP Toilets) to the amount R 30 816 434 which was budgeted for under capital expenditure.
- 52.15 The reason for the variance of 100% was due to the loss on disposal of assets which was not budgeted for.



Moses Kotane Local Municipality
Appendix A

Schedule of external loans as at 30 June 2021

Loan Number	Redeemable	Balance at Tuesday, 30 June 2020	House owners insurance	Redeemed written off during the period	Balance at Wednesday, 30 June 2021	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loans							
Civic centre extention 3	10202511024	10,97%	3 587 951	-	1 696 118	1 891 833	-
	01						-
			3 587 951	-	1 696 118	1 891 833	-
Development bank of South Africa							
Roads & Stormwater	100840/1	11,44%	4 073 221	-	1 291 622	2 781 599	-
Street lighting - Sun City	100840/1	11,44%	3 298 237	-	1 056 788	2 241 449	-
Street Mabela A Podi	101899	10,03%	874 509	-	874 509	-	-
Water	10248/1	8,80%	11 209 394	-	4 073 244	7 136 150	-
			19 455 361	-	7 296 163	12 159 198	-
INCA							
Civic Centre Extention 1	6457	11,4%	3 615 921	-	2 688 529	927 392	-
Civic Centre Extention 2	9078	11,48%	6 932 189	-	1 204 893	5 727 296	-
INCA Paypoints (Community Halls)	18721	13,85%	1 491 263	-	301 524	1 189 739	-
			12 039 373	-	4 194 946	7 844 427	-
Bonds							
Mayoral house	8065717250	7%	905 202	-	101 756	803 446	-
			905 202	-	101 756	803 446	-
Total external loans			35 987 887	-	13 288 983	22 698 904	-

Moses Kotane Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2021
Cost **ACCUMULATED DEPRECIATION**

	Opening Balance	Prior priod	Transfer/Adju	Additions	Disposal?Derecog	Closing Balance	Opening Balance	Prior Year	Transfers/	Depreciation/	Impairment	Disposal/Dere	Closing Balance	Carrying value
	Rand	error	stments	Rand	nition	Rand	Rand	Error	Adjustment	Amortisations	Rand	cognition	Rand	Rand
		Rand	Rand		Rand			Rand	Rand	Rand		Rand		
Land														
Vacant land and Servitudes	17 684 093	-	-	-	-	17 684 093	-	-	-	-	-	-	-	17 684 093
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	17 684 093	-	-	-	-	17 684 093	-	-	-	-	-	-	-	17 684 093
Buildings														
Assets under construction	753 272	-	-	-	-	753 272	-	-	-	-	-	-	-	753 272
Operational Facilities	201 118 659	-	-	-	-	201 118 659	(89 762 327)	-	24 253	(5 993 660)	(21 726)	-	(95 753 460)	105 365 199
Housing	10 877 623	-	-	-	-	10 877 623	(5 806 180)	-	-	(362 486)	-	-	(6 168 666)	4 708 957
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	212 749 554	-	-	-	-	212 749 554	(95 568 507)	-	24 253	(6 356 146)	(21 726)	-	(101 922 126)	110 827 428
Community Assets														
Assets under construction	12 854 622	-	(13 346 856)	9 065 245	-	8 573 011	-	-	-	-	-	-	-	8 573 011
Community Facilities	424 506 515	317 437	13 346 856	-	-	438 170 808	(208 164 056)	(660)	353 190	(13 134 222)	-	-	(220 945 748)	217 225 060
Libraries	36 908 681	-	-	-	-	36 908 681	(13 198 942)	-	-	(1 065 503)	-	-	(14 264 445)	22 644 236
Sports and Recreation facilities	49 651 902	-	-	-	-	49 651 902	(30 821 629)	-	101 285	(1 575 761)	-	-	(32 296 105)	17 355 797
Social Facilities	2 975 877	-	-	-	-	2 975 877	(1 604 696)	-	-	(74 399)	-	-	(1 679 095)	1 296 782
	526 897 597	317 437	-	9 065 245	-	536 280 279	(253 789 323)	(660)	454 475	(15 849 885)	-	-	(269 185 393)	267 094 886

Moses Kotane Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2021
Cost
ACCUMULATED DEPRECIATION

	Opening Balance	Prior period error	Transfer/Adjustments	Additions	Disposal/Recognition	Closing Balance	Opening Balance	Prior Year Error	Transfers/Adjustment	Depreciation/Amortisations	Impairment	Disposal/Recognition	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Infrastructure														
Assets under construction	187 659 097	(2 756 457)	(168 302 645)	184 841 397	(30 862 633)	170 578 759	-	-	-	-	-	-	-	170 578 759
ElectricityNetwork-LV Networks	131 389 175	6 198 378	1 402 182	-	-	138 989 735	(57 654 212)	(239 304)	-	(3 071 621)	-	-	(60 965 137)	78 024 598
ElectricityNetwork-MV Substations	538 234	-	-	-	-	538 234	(106 328)	-	-	(11 961)	-	-	(118 289)	419 945
ICT	39 542 336	-	-	-	-	39 542 336	(9 454 764)	-	-	(3 582 732)	-	-	(13 037 496)	26 504 840
Road Network	1 164 738 635	-	54 881 162	-	(4 202 982)	1 215 416 815	(517 347 139)	-	342 668	(42 053 223)	-	1 453 802	(557 603 892)	657 812 923
Sanitation Network	158 035 203	-	-	-	-	158 035 203	(74 990 493)	-	-	(2 771 290)	-	-	(77 761 783)	80 273 420
Stormwater Network	104 318 960	-	2 486 000	-	-	106 804 960	(43 420 396)	-	-	(4 250 905)	-	-	(47 671 301)	59 133 659
Water Supply Network-Distribution	670 255 440	-	3 495 065	-	-	673 750 505	(341 363 895)	-	-	(9 793 990)	-	-	(351 157 885)	322 592 620
Water Supply Network- Reservoirs	143 867 403	-	43 538 860	-	(217 361)	187 188 902	(79 369 354)	-	-	(6 555 414)	-	113 169	(85 811 599)	101 377 303
Water Supply Network-Boreholes	90 958 117	-	13 092 863	-	(6 580 178)	97 470 802	(30 062 230)	-	49 398	(3 463 910)	3 272 952	-	(30 203 790)	67 267 012
Water Supply Network-Pump Stations	15 616 553	-	9 581 633	-	(433 766)	24 764 420	(5 769 715)	-	-	(907 572)	-	303 138	(6 374 149)	18 390 271
Water Supply Network-Bulk Mains	1 988 815 446	-	34 541 396	-	-	2 023 356 842	(1 106 223 951)	-	-	(30 516 378)	-	-	(1 136 740 329)	886 616 513
Water Supply Network-Water Treatment Works	21 145 942	-	5 283 485	-	(637 262)	25 792 165	(12 619 224)	-	-	(664 346)	-	305 348	(12 978 222)	12 813 943
Solid Waste Facilities	32 797 745	-	4 479 563	-	-	37 277 308	(15 146 733)	-	-	(795 712)	-	-	(15 942 445)	21 334 863
Bridges	36 997 328	-	-	-	-	36 997 328	(15 570 224)	-	-	(489 752)	-	-	(16 059 976)	20 937 352
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4 786 675 614	3 441 921	4 479 564	184 841 397	(42 934 182)	4 936 504 314	(2 309 098 658)	(239 304)	392 066	(108 928 806)	3 272 952	2 175 457	(2 412 426 293)	2 524 078 021
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	98 633 216	(466 952)	-	492 789	(10 296 421)	88 362 632	(67 227 882)	286 024	362 945	(7 146 401)	49 041	8 418 453	(65 257 820)	23 104 812

Moses Kotane Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2021
Cost ACCUMULATED DEPRECIATION

	Opening Balance	Prior period error	Transfer/Adjustments	Additions	Disposal/Derecognition	Closing Balance	Opening Balance	Prior Year Error	Transfers/Adjustment	Depreciation/Amortisations	Impairment	Disposal/Derecognition	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment	5 642 640 074	3 292 406	4 479 564	194 399 431	(53 230 603)	5 791 580 872	(2 725 684 370)	46 060	1 233 739	(138 281 238)	3 300 267	10 593 910	(2 848 791 632)	2 942 789 240
Heritage Assets														
Memorial Statue	14 000	-	-	-	-	14 000	-	-	-	-	-	-	-	14 000
	14 000	-	-	-	-	14 000	-	-	-	-	-	-	-	14 000
Intangible assets														
Assets under construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	48 292 445	(691 421)	-	1 948 033	(18 260 250)	31 288 807	(34 393 932)	777 476	-	(2 469 326)	-	18 260 250	(17 825 532)	13 463 275
	48 292 445	(691 421)	-	1 948 033	(18 260 250)	31 288 807	(34 393 932)	777 476	-	(2 469 326)	-	18 260 250	(17 825 532)	13 463 275
Investment properties														
Land	154 834 422	(3 806 309)	945 500	-	(542 300)	151 431 313	-	-	-	-	-	-	-	151 431 313
	154 834 422	(3 806 309)	945 500	-	(542 300)	151 431 313	-	-	-	-	-	-	-	151 431 313

Moses Kotane Local Municipality
Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2021

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Finance and Administration	54 500	500 000	445 500	89	Difference below R 1 000 000
Community and Social Services	-	1 246 611	1 246 611	100	
Sport and Recreation	10 975 061	11 455 409	480 348	4	Difference below R 1 000 000
Road Transport	69 155 065	69 268 458	113 393	-	Difference below R 1 000 000
Energy Sources	10 394 543	16 689 580	6 295 037	38	Underspending is due to late appointment of contractors and community unrest and COVID 19 Lockdown.
Water Management	85 857 282	108 874 715	23 017 433	21	Underspending is due to late appointment of contractors and community unrest and COVID 19 Lockdown.
Waste Water Management	37 220 714	45 359 082	8 138 368	18	Underspending is due to late appointment of contractors and community unrest and COVID 19 Lockdown.
	213 657 165	253 393 855	39 736 690	16	
Municipal Owned Entities					
Null	-	-	-	-	
	602 139	-	(602 139)	-	
Other charges	-	-	-	-	

Moses Kotane Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Oct	Jan	Apr		Jul	Oct	Jan	Apr					
FMG	MKLM	1 700	-	-	-	1 700	(162)	(1 003)	(287)	(245)	(1 700)	-		Yes	n/a
Water Infr Grant	MKLM	15 000	15 000	28 025	-	58 025	(9 752)	(16 946)	(13 783)	(31 226)	(71 709)	-		Yes	n/a
EPWP	MKLM	457	822	-	-	1 827	(346)	(749)	(304)	(504)	(1 905)	-		Yes	n/a
Library	MKLM	-	766	-	-	766	(79)	(98)	(263)	(126)	(568)	-			n/a
Equitable Share	MKLM	206 955	220 402	114 997	-	542 394	(206 955)	(220 402)	(114 997)	-	(542 394)	-			n/a
MIG	MKLM	11 515	69 794	50 516	-	131 825	(19 699)	(32 180)	(28 649)	(52 371)	(132 894)	-		Yes	n/a
Disaster Grant	MKLM	-	-	-	-	-	-	-	-	-	-	-			n/a
Provincial Ingrastructure Grant	MKLM	1 569	1 318	3 079	6 317	12 283	(1 569)	(1 318)	(3 079)	(6 317)	(12 283)	-			n/a
		-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-			
		237 196	308 102	196 617	6 317	748 820	(238 562)	(272 696)	(161 362)	(90 789)	(763 453)	-			

The financial figures above have been rounded to the nearest one thousand Rand (R'000).