

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021



## MAKHUDUTHAMAGA LOCAL MUNICIPALITY

Mmogo re somela dipheto go! | Together working for change!

(Registration number LIM473)  
Annual Financial Statements  
for the year ended 30 June 2021

\* See Note 46

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipality Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	The provision of services to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
<b>Executive committee</b> Municipal Mayor	CLlr Maitula B.M
Executive Committee Members	CLlr Mapheto M.T (Deputy Head of BTO Portfolio Committee) CLlr Lerobane M.P (Head of EDP Portfolio Committee) CLlr Mankge H.N (Head of Corporate Services Portfolio Committee) CLlr Mohlala M.J (Head of Infrastructure Development Portfolio Committee) CLlr Maloma P.T (Deputy Head of Community Services Portfolio Committee) CLlr Monakedi A.L (Deputy Head of EDP Portfolio Committee) CLlr Phala M (Deputy Head of Infrastructure Development Portfolio Committee) CLlr Maisela K.R (Head of BTO Portfolio Committee) CLlr Rankoe T.P (Head of Community Services Portfolio Committee)
<b>Council Speaker</b>	CLlr Tala M.A
<b>Council Chief Whip</b>	CLlr Chego D.K
<b>Accounting Officer</b>	Ms Rampedi M.N
<b>Chief Financial Officer</b>	Mr. Moganedi R.M
<b>Registered office</b>	Makhuduthamaga Municipality LIM473 No 1 Groblersdal Road Next to Jane Furse Plaza 1085
<b>Business address</b>	No 1 Groblersdal road Next to Jane Furse Plaza Jane Furse 1085 <a href="http://www.makhuduthamaga.gov.za">www.makhuduthamaga.gov.za</a>
<b>Postal address</b>	Private Bag x 434 Jane Furse 1085 Tel:013 265 8600 Fax:013 265 1975
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General South Africa
<b>Attorneys</b>	Malope Mahlaela & Associates

## **Makhuduthamaga Local Municipality**

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### **General Information**

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Ratale Mashifane Attorneys

Marweshe Attorneys

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Index

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

	<b>Page</b>
Accounting Officer's statement (Report)	5 - 6
Audit and Performance Committee Report	7 - 8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Statement of Comparison of Budget and Actual Amounts	13 - 12
Accounting Policies	16 - 38
Notes to the Annual Financial Statements	39 - 72
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	73
Appendix C: Segmental analysis of Property, Plant and Equipment	79

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's statement (Report)

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

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

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

The municipality has a Council of 62 Councillors with ANC as the majority party, EFF as the Official Opposition and four (4) other opposition parties. The mayor of the municipality is Cllr Maitula BM and the Council has elected nine (9) executive committee members to assist the mayor in the execution of her full time responsibilities as the political head of the municipality. All departments of the municipality have portfolio committees that meet on a monthly basis to review the reports on implementation of the approved IDP, Budget and SDBIP and for the year ended 30 June 2021, all portfolio committees were functional and managed to meet monthly. Council has appointed an Audit Committee and Municipal Public Accounts Committee to assist the council on effective, efficient and high level of governance in the municipality and the committees were functional during the year ended 30 June 2021.

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

I am 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 can be relied on for the preparation of the annual financial statements.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 34 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

I further certify that the salaries, allowances and benefits of the Municipal Manager and Managers directly accountable to the Municipal Manager as disclosed in note 33 of these annual financial statements are within the upper limits as set out in the Upper limits of total remuneration packages payable to Municipal Manager and managers directly accountable to municipal manager as issued by the Minister for Cooperative Governance and Traditional Affairs in March 2020.

The external auditors being the Auditor General of South Africa are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report shall be presented to council when finalised and signed.

The annual financial statements set out on pages 7 to 77 and appendixes as set out on pages 78 to 93 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2021 and were signed on behalf of the municipality by:

## **Makhuduthamaga Local Municipality**

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### **Accounting Officer's statement (Report)**

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**Accounting Officer**

**Ms Rampedi M.N**

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Audit and Performance Committee Report

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

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year seven (07) meetings were held. The attendance of the audit committee meetings was as follows.

Name of member	Number of meetings attended
Manthata H.M (Chairperson)	7
Ngoetjana M.S CA(SA) (Member)	7
Maeyane A.K (Member)	6
Mpjane J.N CA(SA)(Member)	7

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Audit committee reports for all four quarters of the financial year ended 30 June 2021 were submitted and approved by council.

### The effectiveness of internal control

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

### Evaluation of annual financial statements, Risk Management & Performance Management

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be submitted to the Auditor-General South Africa for external audit with the Accounting Officer and senior management of the municipality;
- reviewed the prior year Auditor-General of South Africa's management report and management's response thereto and discussed the progress on implementation of the management's remedial action plans on a quarterly basis for the year ended 30 June 2021;
- reviewed the risk management registers and progress report for implementation of the action plans for all four quarters of the financial year ended 30 June 2021 and is satisfied with the functionality of the risk management committee and the risk management unit of the municipality;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed the quarterly performance management reports and annual performance report for the year ended 30 June 2021 and discussed the reports with management on a quarterly basis.

The audit committee concur with and accept the annual financial statements, of the municipality presented for external audit and are of the opinion that the unaudited annual financial statements should be accepted and should be read together with the report of the Auditor-General of South Africa after completion of the external audit.

### Internal audit

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

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Chairperson of the Audit Committee (Ms Manthata H.M)

## **Makhuduthamaga Local Municipality**

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### **Audit and Performance Committee Report**

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Date: \_\_\_\_\_



# Makhuduthamaga Local Municipality

(Registration number LIM473)

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*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	14 360 310	11 260 740
Inventories	4	1 114 718	1 127 543
Receivables from exchange transactions	6	1 205 755	1 271 330
Receivables from non-exchange transactions	5	3 182 059	2 977 726
VAT receivable	7	16 075 778	16 062 400
		<b>35 938 620</b>	<b>32 699 739</b>
<b>Non-Current Assets</b>			
Investment property	9	209 500	209 500
Property, plant and equipment	10	317 806 883	321 626 703
Intangible assets	8	582 796	1 706 589
		<b>318 599 179</b>	<b>323 542 792</b>
<b>Total Assets</b>		<b>354 537 799</b>	<b>356 242 531</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	41 579 305	85 163 060
Unspent conditional grants and receipts	13	113 350	23 572
Long Service Awards		63 010	129 614
		<b>41 755 665</b>	<b>85 316 246</b>
<b>Non-Current Liabilities</b>			
Post Employment Medical Aid Benefit	12	5 008 000	3 230 000
Long Service Awards and Post Employment Medical Aid Benefit	12	3 629 990	2 854 386
Provision - Rehabilitation of Landfill Site	14	18 730 537	15 221 948
		<b>27 368 527</b>	<b>21 306 334</b>
<b>Total Liabilities</b>		<b>69 124 192</b>	<b>106 622 580</b>
<b>Net Assets</b>		<b>285 413 607</b>	<b>249 619 951</b>
Accumulated surplus		285 413 607	249 619 951
<b>Total Net Assets</b>		<b>285 413 607</b>	<b>249 619 951</b>

\* See Note 46

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Refuse removal		134 867	128 061
Rental of facilities and equipment	16	114 166	94 029
Licenses & Permits	20	5 480 633	4 539 975
Other income	17	326 148	434 408
Interest received - Investment	18	1 652 967	2 290 694
Gain on disposal of assets	15	27 600	92 589
<b>Total revenue from exchange transactions</b>		<b>7 736 381</b>	<b>7 579 756</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	41 315 231	41 019 973
Interest on outstanding debtors	21	40 171 417	43 361 378
Actuarial Gains	22	-	1 101 523
Traffic fines	19	2 550	567 900
<b>Transfer revenue</b>			
Government grants & subsidies	24	415 904 097	333 417 980
<b>Total revenue from non-exchange transactions</b>		<b>497 393 295</b>	<b>419 468 754</b>
<b>Total revenue</b>	15	<b>505 129 676</b>	<b>427 048 510</b>
<b>Expenditure</b>			
Employee related costs	25	85 736 030	79 207 038
Remuneration and allowances of councillors	26	23 596 632	23 666 486
Administration	48	7 759 892	16 645 440
Depreciation and amortisation	27	33 761 954	31 396 392
Finance costs	28	1 516 943	1 838 915
Debt Impairment	29	71 808 037	73 332 234
Contracted services	30	53 759 390	50 177 628
Transfers and subsidies	31	2 895 169	5 394 256
Actuarial Loss	22	1 466 015	-
General expenses	32	48 051 644	47 925 958
Auditors remuneration	33	4 429 665	4 136 641
Capital expenditure (D-roads)	34	65 678 489	38 790 032
Repairs and maintenance	47	68 876 161	60 624 352
<b>Total expenditure</b>		<b>469 336 021</b>	<b>433 135 372</b>
<b>Surplus (deficit) for the year</b>		<b>35 793 655</b>	<b>(6 086 862)</b>

\* See Note 46

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Opening Accumulated Surplus/(Deficit) Restated (01 July 2019)</b>	<b>255 706 813</b>	<b>255 706 813</b>
Changes in net assets		
Surplus/(Deficit) for the year as previously reported	(6 086 862)	(6 086 862)
Restated* Surplus/(Deficit) for the year	(6 086 862)	(6 086 862)
Opening Accumulated Surplus/(Deficit) as previously reported	249 774 864	249 774 864
Adjustments		
Prior period error ( Administration and General Expenses)	121 081	121 081
Prior period error Depreciation (Landfill asset)	(229 586)	(229 586)
Prior Period error (Assets - Depreciation: Unbundling of Assets)	(46 407)	(46 407)
<b>Restated* Balance at 01 July 2020 as restated*</b>	<b>249 619 952</b>	<b>249 619 952</b>
Changes in net assets		
Surplus (deficit) for the year	35 793 655	35 793 655
Total changes	35 793 655	35 793 655
<b>Balance at 30 June 2021</b>	<b>285 413 607</b>	<b>285 413 607</b>
Note(s)		

\* See Note 46

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates, VAT and traffic fines		9 476 826	13 667 468
Cash received from consumers and other sources of revenue		6 121 386	5 196 473
Grants		415 993 875	333 399 501
Interest income		1 652 967	2 351 606
		<b>433 245 054</b>	<b>354 615 048</b>
<b>Payments</b>			
Employee costs		(85 180 045)	(78 380 539)
Suppliers		(229 356 229)	(173 755 947)
Finance costs		-	(8)
Capital expenditure written-off (D Roads)		(65 678 489)	(38 790 032)
Councillors' allowances		(23 596 633)	(23 666 486)
		<b>(403 811 396)</b>	<b>(314 593 012)</b>
<b>Net cash flows from operating activities</b>	<b>36</b>	<b>29 433 658</b>	<b>40 022 036</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(26 392 491)	(37 559 666)
Proceeds from sale of property, plant and equipment	10	58 403	139 731
Purchase of other intangible assets	8	-	(393 600)
<b>Net cash flows from investing activities</b>		<b>(26 334 088)</b>	<b>(37 813 535)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 099 570</b>	<b>2 208 501</b>
Cash and cash equivalents at the beginning of the year		11 260 740	9 052 239
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>14 360 310</b>	<b>11 260 740</b>

\* See Note 46

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Budget and Actual comparison

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2021</b>										
<b>Financial Performance</b>										
Property rates	43 378 418	-	43 378 418	-	43 378 418	41 315 231		(2 063 187)	95 %	95 %
Interest - outstanding debtors	39 101 845	-	39 101 845	-	39 101 845	40 171 417		1 069 572	103 %	103 %
Investment revenue	3 592 426	(2 145 426)	1 447 000	-	1 447 000	1 652 967		205 967	114 %	46 %
Transfers recognised - operational	288 251 000	56 548 000	344 799 000	-	344 799 000	344 951 097		152 097	100 %	120 %
Other own revenue	8 063 873	(820 276)	7 243 597	-	7 243 597	6 085 964		(1 157 633)	84 %	75 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>382 387 562</b>	<b>53 582 298</b>	<b>435 969 860</b>	-	<b>435 969 860</b>	<b>434 176 676</b>		<b>(1 793 184)</b>	<b>100 %</b>	<b>114 %</b>
Employee costs	(84 777 691)	892 239	(83 885 452)	-	(83 885 452)	(85 736 030)		(1 850 578)	102 %	101 %
Remuneration of councillors	(23 531 972)	-	(23 531 972)	-	(23 531 972)	(23 596 632)		(64 660)	100 %	100 %
Debt impairment	(39 101 845)	(3 733 728)	(42 835 573)		(42 835 573)	(71 808 037)		(28 972 464)	168 %	184 %
Depreciation and asset impairment	(30 920 064)	(230 000)	(31 150 064)		(31 150 064)	(33 761 954)		(2 611 890)	108 %	109 %
Finance charges	-	-	-	-	-	(1 516 943)		(1 516 943)	DIV/0 %	DIV/0 %
Contracted services	(90 467 677)	(36 684 323)	(127 152 000)	-	(122 635 551)	(122 635 551)		-	100 %	136 %
Transfers and grants	(7 700 000)	1 500 000	(6 200 000)	-	(3 304 831)	(2 895 169)		-	100 %	38 %
Other expenditure	(41 480 450)	2 915 450	(38 565 000)	-	(7 821 280)	(61 707 216)		(15 320 936)	133 %	149 %
<b>Total expenditure</b>	<b>(317 979 699)</b>	<b>(35 340 362)</b>	<b>(353 320 061)</b>	-	<b>(353 320 061)</b>	<b>(403 657 532)</b>		<b>(50 337 471)</b>	<b>114 %</b>	<b>127 %</b>
<b>Surplus/(Deficit)</b>	<b>64 407 863</b>	<b>18 241 936</b>	<b>82 649 799</b>	-	<b>82 649 799</b>	<b>30 519 144</b>		<b>(52 130 655)</b>	<b>37 %</b>	<b>47 %</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	61 710 000	10 000 000	71 710 000	-		71 710 000	70 953 000		(757 000)	99 %	115 %
Capital expenditure written off (D-roads)	-	-	-	-	(65 678 489)	(65 678 489)	(65 678 489)		-	100 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>126 117 863</b>	<b>28 241 936</b>	<b>154 359 799</b>	-		<b>88 681 310</b>	<b>35 793 655</b>		<b>(52 887 655)</b>	<b>40 %</b>	<b>28 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>126 117 863</b>	<b>28 241 936</b>	<b>154 359 799</b>	-		<b>88 681 310</b>	<b>35 793 655</b>		<b>(52 887 655)</b>	<b>40 %</b>	<b>28 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	(126 118 127)	(28 243 000)	(154 361 127)	-	65 678 489	(88 682 638)	(26 392 491)		62 290 147	30 %	21 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	126 118 127	28 243 000	154 361 127	-	(65 678 489)	88 682 638	26 392 491		(62 290 147)	30 %	21 %

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	87 213 658	(8 831 145)	78 382 513	-		78 382 513	29 433 658		(48 948 855)	38 %	34 %
Net cash from (used) investing	(91 799 041)	16 239 129	(75 559 912)	-		(75 559 912)	(26 334 088)		49 225 824	35 %	29 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4 585 383)</b>	<b>7 407 984</b>	<b>2 822 601</b>	-		<b>2 822 601</b>	<b>3 099 570</b>		<b>276 969</b>	<b>110 %</b>	<b>(68)%</b>
Cash and cash equivalents at the beginning of the year	26 679 840	(17 627 440)	9 052 400	-		9 052 400	11 260 740		2 208 340	124 %	42 %
<b>Cash and cash equivalents at year end</b>	<b>22 094 457</b>	<b>(10 219 456)</b>	<b>11 875 001</b>	-		<b>11 875 001</b>	<b>14 360 310</b>		<b>(2 485 309)</b>	<b>121 %</b>	<b>65 %</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

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

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

#### 1.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

#### Receivables

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

The impairment for 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 receivable balances in the portfolio and scaled to the estimated loss emergence period.

#### Allowance for slow moving, damaged and obsolete stock

In determining the allowance for stock to write stock down to the lower of cost or net realisable value, management have made estimates of the selling price and direct cost to sell on certain inventory items, where applicable.



# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Cash and cash equivalents (continued)

#### Impairment testing

The recoverable (services) amount of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair value less cost to sell. The calculations require the use of estimates and assumptions.

Value in use of cash generating 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 flow of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest:

Value in use of non cash generating 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. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Provisions were raised and management determined an estimate based on the information available.

#### Value Added Tax (VAT)

Value Added Tax is accounted for on an invoice basis and a liability is recognised in the Statement of Financial Position when VAT output is more than the VAT input. An asset is recognised in the Statement of Financial Position when VAT input exceeds the VAT output.

#### Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement benefits obligations are based on current market conditions. Additional information is disclosed in Note 12.

#### Effective interest rate

The municipality used the prime interest rate plus 1% to discount future cash flows.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the debtor's recoverable balance calculated by comparing the current year payments received to the historic balance of each debtor considering each debtor's historic and current circumstances.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Investment property

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

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

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

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

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

Where investment property is acquired at no cost or for nominal cost, 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.

#### 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 municipality 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 municipality 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 municipality 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 municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality 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.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

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.

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

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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25 Years
Plant and machinery	Straight line	5-10 Years
Furniture and fixtures	Straight line	7 Years
Motor vehicles	Straight line	8 Years
Office equipment	Straight line	5 Years
IT equipment	Straight line	3-5 Years
Loose tools	Straight line	5 Years
Bridges	Straight line	15 Years

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Prefabricated culverts	Straight line	15 Years
Concrete kerbing, channeling, chutes and downpipes	Straight line	40 Years
Mass earthworks	Straight line	80 Years
Pavement layers	Straight line	15 Years
Prime coat	Straight line	15 years
Double seal	Straight line	15 Years
Pitching, Stonework and protection	Straight line	15 Years
Gabions	Straight line	25 Years
Guardrails	Straight line	25 Years
Road signs	Straight line	15 Years
Road markings	Straight line	12 months
Concrete block paving for roads	Straight line	15 Years
Concrete for structures	Straight line	15 Years
Street lighting	Straight line	15 Years
High mast lights	Straight line	15 Years
Capital Work In Progress	Straight line	Not depreciated
Asphalt surface	Straight line	15 Years

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

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

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

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

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

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

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

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

### 1.7 Site restoration and dismantling cost

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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

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

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

### 1.9 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.

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

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

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

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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 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.

#### Fair value measurement considerations

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

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

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

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

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

#### 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 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 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:

# **Makhuduthamaga Local Municipality**

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

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.



# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

##### Financial liabilities

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

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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

### 1.10 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability

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

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

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

#### Operating leases - lessee

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.11 Inventories

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

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

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

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

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

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

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

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

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

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.

### 1.12 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 of 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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

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

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also 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.

#### 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.

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.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.12 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.

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.

### 1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.13 Impairment of non-cash-generating assets (continued)

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

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

#### 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:

#### Depreciated replacement cost approach

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

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

#### 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.

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.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.13 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.

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

### 1.14 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.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.



# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.14 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.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.15 Provisions and contingencies (continued)

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

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

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

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

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

If the municipality 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 the municipality:

- 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 38.

### 1.16 Commitments

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

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

- approved and contracted commitments
- Where the expenditure has been approved and the contract has been awarded at the reporting date, and
- Where disclosure is required by a specific standard of GRAP.

### 1.17 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.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.17 Revenue from exchange transactions (continued)

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

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

Revenue arising from the use by others of municipal 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.

### 1.18 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.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.18 Revenue from non-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.

#### 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. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### 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.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.19 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget.
- overspending of the total amount appropriated for a vote in the approved budget.
- expenditure from a vote unrelated to the department or functional area covered by the vote.
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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.

### 1.22 Irregular expenditure

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

All expenditure relating to irregular 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.

### 1.23 Budget information

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.23 Budget information (continued)

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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.

### 1.24 Related parties

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

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

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

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

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

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

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

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

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

### 1.25 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):

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

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:

#### 2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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#### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	775	1 555
Bank balances	14 359 535	11 259 185
	<b>14 360 310</b>	<b>11 260 740</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
ABSA BANK - 4050384145 (Primary Cheque Account)	13 298 999	10 458 082	-	13 278 846
ABSA BANK - 4076690079 (Salaries)	12 241	500	-	12 241
ABSA BANK - 2078073033 (Term Deposit Investment)	862 650	800 603	-	862 650
Municipal Covid 19 Solidarity fund -	205 798	-	-	205 798
<b>Total</b>	<b>14 379 688</b>	<b>11 259 185</b>	<b>-</b>	<b>14 359 535</b>

### 4. Inventories

Consumable stores	1 114 718	1 127 543
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#### 4.1 Reconciliation of Inventory

Opening Balance	1 127 543	758 010
Add: Receipts	2 574 469	3 717 486
Less: Issues	(2 587 294)	(3 347 953)
	<b>1 114 718</b>	<b>1 127 543</b>

The municipality did not write off any of its inventory items during the 2020/21 financial year.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	545 346 329	473 333 957
Traffic fines	1 168 997	1 168 997
	<b>546 515 326</b>	<b>474 502 954</b>
<b>Less: Allowance for impairment</b>		
Rates	(542 164 268)	(470 422 253)
Traffic Fines	(1 168 997)	(1 102 975)
	<b>(543 333 265)</b>	<b>(471 525 228)</b>
<b>Net balance</b>		
Rates	3 182 059	2 911 704
Traffic fines	-	66 022
	<b>3 182 059</b>	<b>2 977 726</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(471 525 228)	(398 192 994)
Contributions to allowance	(71 808 037)	(73 332 234)
	<b>(543 333 265)</b>	<b>(471 525 228)</b>

### Receivables from non - exchange transactions impaired

As of 30 June 2021, receivables from non-exchange transactions of R 543 333 265 (2020: R 471 525 228) were impaired and provided for.



# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Receivables from non-exchange transactions (continued)</b>		
<b>Summary of receivables from non-exchange transactions by customer classification</b>		
<b>Traffic fines</b>		
61 - 90 days	63 250	63 250
91 - 120 days	9 350	9 350
121 - 365 days	1 096 397	1 096 397
	<u>1 168 997</u>	<u>1 168 997</u>
Less: Allowance for impairment	(1 168 997)	(1 102 975)
	<u>-</u>	<u>66 022</u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	812 235	718 168
31 - 60 days	818 143	714 186
61 - 90 days	805 958	730 441
91 - 120 days	51 595 363	41 951 026
	<u>54 031 699</u>	<u>44 113 821</u>
Less: Allowance for impairment	(53 760 078)	(42 018 696)
	<u>271 621</u>	<u>2 095 125</u>
<b>National and provincial government</b>		
Current (0 -30 days)	5 589 981	5 319 795
31 - 60 days	5 759 533	5 263 050
61 - 90 days	5 621 692	5 266 073
91 - 120 days	474 343 422	413 371 218
	<u>491 314 628</u>	<u>429 220 136</u>
Less: Allowance for impairment	(488 404 190)	(428 403 557)
	<u>2 910 438</u>	<u>816 579</u>
<b>Total</b>		
Current (0 -30 days)	6 402 216	6 037 963
31 - 60 days	6 577 676	5 977 236
61 - 90 days	6 596 649	6 059 764
91 - 120 days	7 480 650	9 844 156
> 365 days	519 458 135	446 583 835
	<u>546 515 326</u>	<u>474 502 954</u>
Less: Allowance for impairment	(543 333 265)	(471 525 228)
	<u>3 182 061</u>	<u>2 977 726</u>
<b>6. Receivables from exchange transactions</b>		
Insurance debtor	20 604	-
Accrued Income (Interest on investment)	100 487	38 450
Other debtors	-	-
SALGA Levy	1 062 900	1 217 880
SAMEBA	-	15 000
Other debtors - Employee	21 764	-
	<u>1 205 755</u>	<u>1 271 330</u>

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>7. VAT receivable</b>		
VAT	16 075 778	16 062 400
<b>Reconciliation</b>		
Balance at the beginning of the year	16 062 400	18 436 425
Add: Net Refunds as per VAT receivable	34 317 048	30 182 907
Add: Current Year VAT suspense - retention amount	4 413 337	5 163 934
Less: Prior year suspense - retention amount	(5 163 934)	(5 315 641)
Less: VAT Payments by SARS - Current year	(25 811 478)	(22 441 312)
Less: VAT payments by SARS - Previous year	(7 741 595)	(9 963 913)
	<b>16 075 778</b>	<b>16 062 400</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8 215 070	(7 632 274)	582 796	8 215 070	(6 508 481)	1 706 589

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	1 706 589	(1 123 793)	582 796

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	2 697 117	393 600	(1 384 128)	1 706 589

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

#### 9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	209 500	-	209 500	209 500	-	209 500

#### Reconciliation of investment property - 2020

Investment property	Opening balance 209 500	Total 209 500
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#### Pledged as security

No investment property was pledged as a security for liabilities

Investment Property was valued by Landdata Valuations (Pty) Ltd, an independent professional valuer with registration number 1988/001677/07. The municipal valuer has experience in property within the jurisdiction of Makhuduthamaga Local Municipality. The valuation was based on an open market value for existing use.

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. No revenue was earned from the investment property as the property is vacant land held for long term capital appreciation.:

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

2021

2020

#### 10. 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	265 000	-	265 000	265 000	-	265 000
Buildings	52 286 492	(15 026 444)	37 260 048	49 386 492	(12 981 066)	36 405 426
Land (Landfill assets)	16 471 695	(6 683 351)	9 788 344	14 015 049	(2 565 428)	11 449 621
Furniture and fixtures	6 619 696	(4 185 721)	2 433 975	4 859 262	(3 674 836)	1 184 426
Motor vehicles	35 664 681	(25 138 133)	10 526 548	35 664 681	(21 052 955)	14 611 726
Office equipment	2 776 915	(2 179 061)	597 854	2 566 465	(1 923 546)	642 919
IT equipment	23 741 796	(17 356 438)	6 385 358	21 182 444	(14 199 591)	6 982 853
Infrastructure	351 837 287	(126 736 897)	225 100 390	324 792 109	(109 292 421)	215 499 688
Loose tools	3 611 961	(3 025 396)	586 565	3 565 961	(2 708 754)	857 207
Community assets	14 402 779	(2 728 038)	11 674 741	14 402 779	(2 082 770)	12 320 009
Capital work in progress	13 188 060	-	13 188 060	21 407 828	-	21 407 828
<b>Total</b>	<b>520 866 362</b>	<b>(203 059 479)</b>	<b>317 806 883</b>	<b>492 108 070</b>	<b>(170 481 367)</b>	<b>321 626 703</b>

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals - Cost	Transfers received	Movements	Disposal - Accumulated Depreciation	Depreciation	Total
Land	265 000	-	-	-	-	-	-	265 000
Buildings	36 405 426	-	-	2 900 000	-	-	(2 045 378)	37 260 048
Land (Landfill Asset)	11 449 621	-	-	-	2 456 646	-	(4 117 923)	9 788 344
Furniture and fixtures	1 184 426	1 760 430	-	-	-	-	(510 881)	2 433 975
Motor vehicles	14 611 726	-	-	-	-	-	(4 085 178)	10 526 548
Office equipment	642 919	210 450	-	-	-	-	(255 515)	597 854
IT equipment	6 982 853	2 650 202	(90 850)	-	-	60 047	(3 216 894)	6 385 358
Infrastructure	215 499 688	-	-	27 045 177	-	-	(17 444 475)	225 100 390
Loose tools	857 207	46 000	-	-	-	-	(316 642)	586 565
Community Assets	12 320 009	-	-	-	-	-	(645 268)	11 674 741
Capital work in progress	21 407 828	21 725 409	-	(29 945 177)	-	-	-	13 188 060
	<b>321 626 703</b>	<b>26 392 491</b>	<b>(90 850)</b>	<b>-</b>	<b>2 456 646</b>	<b>60 047</b>	<b>(32 638 154)</b>	<b>317 806 883</b>

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Provision for Rehabilitation of Landfill Site	Disposals - Accumulated Depreciation	Depreciation	Total
Land	265 000	-	-	-	-	-	-	265 000
Buildings	32 162 016	-	-	6 093 791	-	-	(1 850 381)	36 405 426
Land (Landfill Asset)	14 727 795	-	-	-	(712 746)	-	(2 565 428)	11 449 621
Furniture and fixtures	1 617 476	-	-	-	-	-	(433 050)	1 184 426
Motor vehicles	18 134 538	789 995	-	-	-	-	(4 312 807)	14 611 726
Office equipment	912 332	-	-	-	-	-	(269 413)	642 919
IT equipment	7 409 218	2 603 761	(125 584)	-	-	104 853	(3 009 395)	6 982 853
Infrastructure	207 996 408	-	-	24 506 198	-	-	(17 002 918)	215 499 688
Loose tools	689 881	459 218	-	-	-	-	(291 892)	857 207
Community Assets	3 606 734	-	-	8 990 258	-	-	(276 983)	12 320 009
Capital work in progress	27 552 531	33 445 544	-	(39 590 247)	-	-	-	21 407 828
	<b>315 073 929</b>	<b>37 298 518</b>	<b>(125 584)</b>	<b>-</b>	<b>(712 746)</b>	<b>104 853</b>	<b>(30 012 267)</b>	<b>321 626 703</b>

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.

No property, plant & equipment were pledged as security for liabilities.

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>11. Payables from exchange transactions</b>		
Trade payables	5 206 407	46 866 321
Income received in advance	923 859	866 362
Creditor: Ward committee	13 201	13 201
Leave provision	12 407 985	9 976 131
Bonus provision	2 779 508	2 598 771
Unknown deposits	32 481	19 983
Retentions	20 215 864	24 822 291
	<b>41 579 305</b>	<b>85 163 060</b>



## Makhuduthamaga Local Municipality

(Registration number LIM473)

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. Defined benefit obligation

Post Employment Medical Aid Benefits liability

## Makhuduthamaga Local Municipality

(Registration number LIM473)

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. Defined benefit obligation (continued)

##### Post retirement medical aid plan

Post-employment medical aid benefits	5 008 000	3 230 000
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##### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 230 000	3 112 000
Current year service cost	482 000	551 000
Interest charges	167 000	336 000
Actuarial (gain)/Loss	1 129 000	(769 000)
	<b>5 008 000</b>	<b>3 230 000</b>

##### Net expense recognised in the statement of financial performance

Current service cost	482 000	551 000
Interest cost	167 000	336 000
Actuarial (gain)/Loss	1 129 000	(769 000)
	<b>1 778 000</b>	<b>118 000</b>

##### Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Expected retirement age	63	63

The nominal and real zero curves were used as at 30 June 2021 supplied by the JSE to determine the disclosed rates and CPI assumptions at each relevant prime period. In the event that the valuation is performed prior to the effective valuation date, we used the prevailing yield at the time of performing our calculations. The methodology has changed from point estimate in order to present a more accurate depiction of the liability, for example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years:

The net effective discount rate is different for each relevant time period of the yield curve's various durations and therefore the net effective discount rate is based on the relationship between the yield curve based discount rate for each relevant time period and the yield curve based salary inflation for each relevant time period.

The medical aid inflation rate was set with the reference to the past relationship between the yield curve based and discount rate for each relevant time period and the yield curve based medical aid contribution inflation rate for each relevant time period.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>12. Defined benefit obligation (continued)</b>		
<b>Long service awards</b>		
<b>Long Service Awards Liability</b>		
Long service awards - current liability	63 010	129 614
Long service awards - Non-current liability	3 629 990	2 854 386
	<b>3 693 000</b>	<b>2 984 000</b>
<b>Movements in the long service awards liability</b>		
Opening balance	2 984 000	2 844 000
Current year service cost	347 000	366 000
Interest cost	298 000	296 000
Benefits paid	(284 000)	(189 477)
Actuarial Loss/(Gain)	348 000	(332 523)
	<b>3 693 000</b>	<b>2 984 000</b>
<b>Expense and Income recognition in surplus for the year</b>		
Current service cost	347 000	366 000
Interest cost	298 000	296 000
Actualrial Loss/(Gain)	348 000	(332 523)
	<b>993 000</b>	<b>329 477</b>
<b>Key assumptions used - Long service awards</b>		
The long service benefits are awarded in a form of a number of leave days awarded once an employee has completed a certain number of years in service of the municipality. We have converted the awarded leave days to a percentage of the annual salary by assuming there are 250 working days per year. The expencted value of each employee's long services awards is projected to the next interval by allowing for future salary growth. The table below conatins a summary of the benefits:		
<b>Average retirement age</b>	2021	2020
Expected retirement age	63	63
<b>Other assumptions</b>		
A percentage point change in the normal salary inflation assumption would have the follwing effect:		
	<b>-1% Normal salary inflation</b>	<b>+1% Normal salary inflation</b>
Effect on the current service cost	364 000	430 000
Effect on the interest cost	337 000	394 000
Effect on the defined benefit obligation	3 427 000	3 988 000
<b>Amounts for the current and previous years as as follows:</b>	<b>2021</b>	<b>2020</b>
Long service awards	3 693 000	2 984 000
		<b>2019</b>
		2 844 000
		<b>2018</b>
		2 273 000
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
LG SETA Discretionary Grant	113 350	23 572

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>13. Unspent conditional grants and receipts (continued)</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	23 572	42 051
Amount received during the current year	241 875	208 500
Income recognition during the year	(152 097)	(226 979)
	<b>113 350</b>	<b>23 572</b>

The municipality received a grant from the LG SETA for their implementation of the learnership programme. Learners were deployed to the municipality under the learnership programme and the grant was utilized to pay for their monthly stipend.

#### 14. Provision - Rehabilitation of Landfill Site

The valuation of the rehabilitation on the Landfill Site was performed by Mr Seakle Godschalk, a professional registered environmental scientist, of the Environmental and Sustainability Solutions (ESS) company, the company has developed and used the General Landfill Closure Costing Model (GLCCM) since 2011.

The future and discounted cash flows regarding the Landfill closure and rehabilitation related expenses were calculated using the CPI at 4.8235% and a discount rate of 7.9437%

The cost of rehabilitating the Landfill Site was determined to be R 18 730 537 as at the 30th of June 2021 and was recognised as property, plant & equipment in the statement of the financial position of the municipality and a non-current liability of R 18 730 537 was also recognised in the statement of the financial position for the year ended 30 June 2021.

#### Reconciliation - Landfill Site Provision

Opening Balance	15 221 948	14 727 795
Interest charge	1 051 943	1 206 899
Change in landfill closure provision	2 456 646	(712 746)
	<b>18 730 537</b>	<b>15 221 948</b>

#### 15. Revenue

Refuse removal	134 867	128 061
Rental of facilities and equipment	114 166	94 029
Licenses and permits	5 480 633	4 539 975
Other income	326 148	434 408
Interest received	1 652 967	2 290 694
Property rates	41 315 231	41 019 973
Property rates - penalties imposed	40 171 417	43 361 378
Traffic fines	2 550	567 900
Government grants & subsidies	415 904 097	333 417 980
Gain on disposal of assets	27 600	92 589
Actuarial Gains	-	1 101 523
	<b>505 129 676</b>	<b>427 048 510</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

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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### 15. Revenue (continued)

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

Refuse removal	134 867	128 061
Rental of facilities and equipment	114 166	94 029
Licences and permits	5 480 633	4 539 975
Gain on disposal of assets	27 600	92 589
Other income	326 148	434 408
Interest earned on Bank & Investment accounts	1 652 967	2 290 694
	<b>7 736 381</b>	<b>7 579 756</b>

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

<b>Taxation revenue</b>		
Property rates	41 315 231	41 019 973
Interest on outstanding debtors	40 171 417	43 361 378
Actuarial gains	-	1 101 523
Traffic fines	2 550	567 900
<b>Transfer revenue</b>		
Tranfers and subsidies	415 904 097	333 417 980
	<b>497 393 295</b>	<b>419 468 754</b>

### 16. Rental of facilities and equipment

#### Advertising Billboards

Site rentals	114 166	94 029
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The amount of site rentals is for the advertising billboards from Primedia around the Makhuduthamaga municipal area.

### 17. Other income

LG SETA & SAMEBA	134 895	259 981
Tender Documents	158 262	149 427
Other income 10	32 991	-
Environmental Awareness Award	-	25 000
	<b>326 148</b>	<b>434 408</b>

### 18. Interest received

#### Interest revenue

Bank and investments	1 652 967	2 290 694
Interest charged on trade and other receivables	40 171 417	43 361 378
	<b>41 824 384</b>	<b>45 652 072</b>

### 19. Traffic Fines

Traffic fines	2 550	567 900
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### 20. Licence and permits

Agency fee for Sekhukhune and Nebo DLTCs.	5 480 633	4 539 975
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# Makhuduthamaga Local Municipality

(Registration number LIM473)

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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### 21. Property rates

#### Rates received

Commercial	10 641 631	10 525 573
State	28 352 880	28 173 680
Agricultural	2 320 720	2 320 720
	<b>41 315 231</b>	<b>41 019 973</b>

#### Valuations

Residential	22 640 000	22 640 000
Commercial	748 176 000	748 176 000
State	1 669 421 000	1 669 421 000
Municipal	292 360 000	292 360 000
Social	29 023 000	29 023 000
	<b>2 761 620 000</b>	<b>2 761 620 000</b>

Valuations on land and buildings are performed every 5 years. The first general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The valuation roll used in the current year was implemented from 01 July 2016 and it ends on the 30th of June 2021.

The municipality has compiled a new valuation roll to be implemented from the 1st of July 2021.

### 22. Actuarial gain/ (Loss)

Long service awards - Actuarial Gain/(Loss)	(348 000)	332 523
Post Employment medical aid - Actuarial Gain/(Loss)	(1 129 000)	769 000
	<b>(1 477 000)</b>	<b>1 101 523</b>

### 23. Gain/(Loss) on disposal of assets

Gains on the disposal of the stolen desktops and laptops. The desktops and laptops were derecognised from the municipality's asset register and the insurance claim for these assets was approved.	27 600	92 589
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# Makhuduthamaga Local Municipality

(Registration number LIM473)

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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### 24. Government grants and subsidies

#### Operating grants

Equitable share	341 931 000	267 931 000
Municipal Infrastructure Grant (MIG)	70 953 000	62 122 000
Finance Management Grant (FMG)	1 700 000	1 770 000
EPWP Grant	1 168 000	1 070 000
LG SETA - Discretionary Grant	152 097	226 980
Municipal Disaster Relief Grant	-	298 000
	<b>415 904 097</b>	<b>333 417 980</b>

#### Conditional and Unconditional

Included in above are the following conditional grants and subsidies received and recognised:

#### Finance Management Grant

Current-year receipts	1 700 000	1 770 000
Conditions met - transferred to revenue	(1 700 000)	(1 770 000)
	-	-

All conditions as per the DoRA were met and the grant was transferred to Revenue.

The Financial Management Grant was spent under Budget and Treasury vote for financial management interns programme, financial management systems maintenance and training of the Budget and Treasury officials.

#### Municipal Infrastructure Grant

Current-year receipts	70 953 000	62 122 000
Conditions met - transferred to revenue	(70 953 000)	(62 122 000)
	-	-

All conditions as per the DoRA were met and the grant was transferred to revenue.

The municipal Infrastructure Grant was used to fund the construction of a sports field and access roads approved by Cogta and municipal council under the Infrastructure Development vote.

#### EPWP grant

Current-year receipts	1 168 000	1 070 000
Conditions met - transferred to revenue	(1 168 000)	(1 070 000)
	-	-

All conditions as per the DoRA were met and the grant was transferred to revenue.

#### LG SETA - Discretionary Grant

Balance unspent at beginning of year	23 572	42 051
Current-year receipts	241 875	208 500
Conditions met - transferred to revenue	(152 097)	(226 979)
	<b>113 350</b>	<b>23 572</b>

## Makhuduthamaga Local Municipality

(Registration number LIM473)

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)

The municipality received a grant from LG SETA to be used for training of Learners identified within Makhuduthamaga municipality jurisdictions. As at 30 June 2021 a portion of the grant was not spent.

##### Municipal Disaster Relief Grant

Current-year receipts	-	298 000
Conditions met - transferred to revenue	-	(298 000)
	-	-

All conditions as per the DoRA were met and the grant was transferred to revenue.

The municipality did not receive Municipal Disaster Relief Grant during the year under review.



# Makhuduthamaga Local Municipality

(Registration number LIM473)

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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### 25. Employee related costs

Basic	46 602 507	43 184 580
Bonus	3 706 927	3 399 347
Medical aid - company contributions	5 098 739	4 601 293
UIF	300 274	246 417
SDL	563 943	525 730
Leave pay provision charge	2 594 885	2 034 752
Pension contribution	9 291 131	8 506 042
Overtime payments	672 827	792 143
Post employment benefits costs	829 000	917 000
Car allowance	11 228 574	10 441 622
Housing benefits and allowances	2 834 159	2 665 286
Bargaining Council	20 692	60 128
Clothing allowance	53 363	41 692
Cellphone allowance	1 939 009	1 791 006
	<b>85 736 030</b>	<b>79 207 038</b>

### Remuneration of municipal manager (Ms Rampedi M.N)

Basic salary	640 552	636 191
Travel allowance	261 687	256 576
Medical contributions	85 447	91 125
UIF contributions	1 813	1 785
SALGBE	119	112
SDL	12 482	8 513
Retirement Annuity Contributions	78 003	73 138
Remote Allowance	41 540	42 316
Travel claims	8 568	8 733
	<b>1 130 211</b>	<b>1 118 489</b>

### Chief Financial Officer (Mr Moganedi R.M)

Basic salary	536 668	540 725
Travel allowance	178 498	176 731
Cellphone allowance	31 302	30 993
Housing allowance	68 538	65 004
Travel claims	-	9 171
Contributions t medical aid	77 544	72 925
Contributions to UIF	1 813	1 785
SDL	9 454	6 260
SALGBE	119	112
Remote allowance	35 778	35 409
	<b>939 714</b>	<b>939 115</b>

### Senior manager: Corporate services (Ms Mahlare M.A)

Basic salary	536 668	538 020
Travel allowance	231 286	224 437
Medical aid contributions	124 596	123 363
UIF COntributions to UIF	1 813	1 785
SALGBE	119	112
SDL	9 368	6 192
Travel claims	6 350	15 921

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>25. Employee related costs (continued)</b>		
Remote	35 778	35 655
	<b>945 978</b>	<b>945 485</b>
<b>Senior Manager: Community Services (Ms Marishane M.E)</b>		
Basic salary	536 668	540 725
Travel allowance	196 956	195 007
Cellphone allowance	26 343	26 083
Housing allowance	71 560	67 061
Contributions to Pension	61 022	57 554
Contributions to UIF	1 813	1 785
SALGBE	119	112
SDL	9 383	6 192
Remote allowance	35 778	35 409
	<b>939 642</b>	<b>929 928</b>
<b>Senior Manager: Infrastructure Development (Mr Segale M.A)</b>		
Basic salary	536 668	540 725
Travel allowance	194 493	192 568
Housing allowance	-	21 490
Contributions to medical aid scheme	133 939	130 716
Contributions to UIF	1 813	1 785
SALGBE	119	112
SDL	10 585	6 880
Remote allowance	35 778	35 409
Cellphone allowance	27 450	-
	<b>940 845</b>	<b>929 685</b>
<b>Senior manager Economic Development and Planning (Mr Thabela A.P)</b>		
Basic salary	536 668	536 668
Travel allowance	134 167	134 167
Cellphone allowance	19 119	19 119
Contribution to Pension	118 067	113 605
Medical aid contribution	84 529	81 151
UIF	1 813	1 785
SALGBE	119	112
SDL	10 832	7 255
Travel claim	3 376	30 883
Remote allowance	35 778	35 778
	<b>944 468</b>	<b>960 523</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

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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### 26. Remuneration and allowances of councillors

Mayor	910 772	909 048
Council speaker	737 602	736 213
Executive Committee Members	4 525 300	4 509 990
Other councillors basic salary	9 620 209	9 668 137
Councillors pension contribution	1 697 683	1 685 092
Travel allowance	3 772 632	3 737 582
Travel claims	14 015	79 782
Cellphone allowance	2 080 800	2 080 800
Skills development levy	54 019	71 342
Data cards (62 councillors)	183 600	188 500
	<b>23 596 632</b>	<b>23 666 486</b>

#### Remuneration and allowances of selected members of the council:

##### Mayor - Cnr Maitula B.M

Basic salary	548 798	551 798
Cellphone allowance	40 800	40 800
Contributions to pension fund	312 061	309 061
SDL and Data card	7 421	7 390
	<b>909 080</b>	<b>909 049</b>

##### Council speaker - Cnr Tala M.A

Basic salary	439 039	441 439
Cellphone allowance	40 800	40 800
Contributions to pension	249 649	247 249
SDL and Data card	6 731	6 726
	<b>736 219</b>	<b>736 214</b>

##### Members of the Executive Committee

Basic salary	2 612 536	2 378 350
Travel allowance	1 024 524	921 308
Cellphone allowance	367 200	326 400
Contributions to pension fund, medical aid, SDL and Data cards	461 036	430 481
Travel claims, SDL and Data card	50 576	54 346
	<b>4 515 872</b>	<b>4 110 885</b>

The remuneration and allowances of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

The municipal council consists of 62 councillors and none of the councillors owe the municipality any amounts in a form of unpaid rates and taxes or any other services.

#### In-kind benefits

The Mayor, Speaker of Council, Chief Whip of council, Head of Corporate Service Portfolio Committee, Head of Budget and Treasury Office Portfolio Committee, Head of Infrastructure Development Portfolio Committee and MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker of Council each have use of separate Council owned vehicle for official duties.

The Mayor has one full-time Chauffeur. The Speaker of council has one full-time Chauffeur.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	32 638 160	30 012 264
Intangible assets	1 123 794	1 384 128
	<b>33 761 954</b>	<b>31 396 392</b>
<b>28. Finance costs</b>		
Interest on overdue accounts (Telkom and Eskom)	-	8
Interest cost: Employee benefit obligations	465 000	632 008
Interest cost: Landfill site provision	1 051 943	1 206 899
	<b>1 516 943</b>	<b>1 838 915</b>
<b>29. Debt impairment</b>		
Current year doubtful debts allowance	543 333 265	471 525 228
Less: Previous doubtful debts	(471 525 228)	(398 192 994)
	<b>71 808 037</b>	<b>73 332 234</b>
<b>30. Contracted services</b>		
Operating Leases and Cash Collection Services	3 356 259	4 402 946
Development of valuation roll	558 012	497 449
Cleaning and Security services	49 845 119	45 277 233
	<b>53 759 390</b>	<b>50 177 628</b>
<b>31. Transfers and Subsidies</b>		
Indigents grants (Free Basic Electricity)	2 895 169	5 394 256
	<b>2 895 169</b>	<b>5 394 256</b>

The municipality subsidises the indigent households that are on the Eskom FBE beneficiary list with the allocation of the free basic electricity at 50kwh per household on a monthly basis.

## Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>32. General expenses</b>		
Advertising	746 145	998 818
Bank charges	257 799	200 101
Consulting and professional fees	2 550 254	4 386 911
Consumables	2 334 128	-
Entertainment	57 950	26 880
Insurance	685 249	569 327
IT operational expenses	1 484 700	521 739
Marketing	721 066	802 922
Promotions and sponsorships	875 878	2 357 628
Fleet Management & System	2 766	109 031
Fuel and oil	4 362 625	3 256 871
Printing and stationery	-	2 571 812
Protective clothing	-	35 872
Environmental care expenses	-	130 000
Telephone and fax	1 078 976	1 018 221
Training	1 669 303	2 548 354
Travel and accomodation	1 237 163	2 632 071
LED forum and summit	-	35 020
Spatial planning - demarcation of sites	1 284 778	210 870
Water and Electricity	2 093 396	2 032 494
Sitting allowance ex-officio	360 000	360 000
Publications	8 041 500	5 202 000
Audit committee support	533 368	499 087
Bursary fund	2 005 728	6 249 794
Legal costs and Development of by-laws	2 463 087	11 420
Customer care	-	467 887
Financial System support	3 726 010	5 617 478
Vehicle tracking	96 615	82 403
Stipent	-	4 998
Disaster relief fund	2 521 082	1 534 747
EPWP	6 862 078	3 451 202
	<b>48 051 644</b>	<b>47 925 958</b>

### 33. Auditors' remuneration

Current Year Audit fees	4 429 665	4 136 641
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### 34. Capital expenditure written-off (D Roads)

Property Plant and Equipment	65 678 489	38 790 032
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In terms of the General Notice 217 of 2014, ownership and jurisdiction of roads by municipalities in Limpopo Province is listed in schedule B of the notice. The municipality has constructed roads under the ownership of the Roads Agency Limpopo SOC Limited (RAL) in terms of the Notice during the year ended 30 June 2021 and 30 June 2020. The roads can not be capitalized and have been written off and a loss on disposal of capital expenditure was incurred to the amount of R 65 678 489 (2021) and R 38 790 032 (2020)

### 35. Operating lease

The Municipality has entered in to an operating lease with Velaphanda Trading and Projects for Photocopier machines for a period of Three years which became effective on the 1st October 2020 and the total future minimum operating lease payments payable under existing operating lease arrangements are categorized as follows:

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>35. Operating lease (continued)</b>		
Within one year of the reporting date	2 061 962	253 592
More than one year but less than five years of the reporting date	2 577 453	-
	<b>4 639 415</b>	<b>253 592</b>
<b>36. Cash generated from operations</b>		
Surplus (deficit)	35 793 655	(6 086 862)
<b>Adjustments for:</b>		
Depreciation and amortisation	33 761 954	31 396 392
(Gain)/Loss on disposal of assets	(27 600)	(92 589)
Debt impairment	71 808 037	73 332 234
Current service cost - Post employment benefits & Long service awards	829 000	917 000
Interest costs - Post employment benefits & Long service awards/Landfill site provision	1 516 942	1 838 907
Actuarial (Gain)/Loss - Post employment medical aid benefits & Long service awards	1 477 000	(1 101 523)
Long service awards paid	(284 000)	-
<b>D roads write-off from WIP</b>		
Inventories	12 825	(415 940)
Receivables from exchange transactions	65 574	(325 678)
Receivables from non exchange transactions	(72 012 372)	(71 281 783)
Other receivables from non-exchange transactions	-	45 252
Payables from exchange transactions	(43 583 757)	9 441 080
VAT	(13 378)	2 374 025
Unspent conditional grants and receipts	89 778	(18 479)
	<b>29 433 658</b>	<b>40 022 036</b>
<b>37. Commitments</b>		
<b>Authorised operating and capital expenditure</b>		
<b>Operational commitments</b>		
• Approved and contracted	120 898 434	65 456 999
	<b>120 898 434</b>	<b>65 456 999</b>
<b>Capital commitments</b>		
• Approved and contracted	92 357 298	74 981 164
	<b>92 357 298</b>	<b>74 981 164</b>
<b>Total commitments</b>		
Operational Commitments	120 898 434	65 456 999
Capital Commitments	92 357 298	74 981 164
	<b>213 255 732</b>	<b>140 438 163</b>

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers as at 30 June 2021 amount to R 92 357 298 for capital commitments and R 120 898 434 for Operational commitments. The capital commitments are mainly for projects that are implemented over multi years. The operational commitments include three year contracts of which the amount disclosed is for more than one financial year.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

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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### 38. Contingent Liabilities

#### **Masanya Construction vs Makhuduthamaga Local Municipality**

The municipality penalised Masanya Construction for an amount of R 175 551.17, the reason for the penalties was that Masanya Construction failed to complete its work on time as per the contract it entered into with the municipality. The company has challenged the municipality in court, the power of attorney was filled and served at Nebo Magistrate Court on the 12th of November 2019 by the municipality's legal representatives, and as at year end the case was not yet finalised.

#### **Mr Makhubedu M.D vs Makhuduthamaga Local Municipality**

Mr Makhubedu has lodged a dispute of unfair labour practice against the municipality, he claims that the municipality is entitled to pay as part of his monthly remuneration both the travel and housing allowances. As at the 30th of June 2021 the municipality was still awaiting the final awards from the CCMA.

#### **Mr Alfred Malekane vs Makhuduthamaga Local Municipality**

Mr Alfred Malekane was dismissed as an employee of the municipality on grounds of financial misconduct following the conclusion of the disciplinary processes by the municipality. Mr Malekane has since challenged his dismissal arguing that he was unfairly dismissed by the municipality. As at year end the case was not yet finalised. The estimated expenditure on this matter is R 600 000.00.

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 39. Related parties

#### Related party transactions

##### Section 57 Employees

Municipal Manager (Ms Rampedi M.N)	1 130 211	1 118 489
Senior Manager: Corporate Services (Ms Mahlare M.A)	945 978	945 485
Senior Manager: Community Services (Ms Marishane M.E)	939 642	929 928
Senior Manager: Budget & Treasury (CFO) (Mr Moganedi R.M)	939 714	939 115
Senior Manager: Economic Development & Planning (Mr Thabela A.P)	944 468	960 523
Senior Manager: Infrastructure Development (Mr Segale M.A)	940 845	929 685

##### South African Local Government Association

Annual membership fee	1 062 900	1 217 880
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##### Section 57 Employees

The section 57 employees as disclosed include the Municipal Manager as the accounting officer, the Chief Financial Officer as the senior manager for the Budget & Treasury Office, the senior manager for Corporate Services, Community Services, Economic Development & Planning and Infrastructure Development.

##### South African Local Government Association

An amount of R 1 062 900 was paid to the South African Local Government Association as an annual membership fee. The cost of the membership fee amounts to 1% of the total annual employee related cost of the municipality as approved by council for any new financial year.

##### Sekhukhune District municipality

An amount

The municipality has seconded the Deputy CFO (Mr. Nkadimeng H.L) to serve as an acting CFO of Sekhukhune District Municipality from May 2021. The municipality has paid him a salary to a total of **R 159 782** for May and June 2021 while he serve as acting CFO at Sekhukhune District Municipality.

Remuneration of councillors (2021)	Basic salary	Cellphone allowance	Car allowance	Pension, Medical, SDL, Data Cards & Travel claims	Total
Cllr Maitula B.M (Mayor)	548 798	40 800	-	269 847	910 772
Cllr Tala M.A (Speaker)	439 039	40 800	-	257 784	737 602
Cllr Chego D.K (Chief Whip)	411 599	40 800	161 412	82 711	696 523
Cllr Mankge H.N	411 599	40 800	161 412	80 164	693 973
Cllr Mohlala M.J	411 599	40 800	161 412	80 164	693 973
Cllr Diketane S.P (MPAC Chairperson)	403 330	40 800	158 169	78 632	680 930
Cllr Monakedi A.L	229 623	40 800	90 048	46 542	397 013
Cllr Maloma P.T	229 623	40 800	90 048	46 542	397 013
Cllr Mapheto M.T	229 623	40 800	90 048	46 516	405 656
Cllr Maisela K.R	411 600	40 800	161 412	81 575	665 381
Cllr M.P Lerobane	229 623	40 800	90 048	46 516	406 987
Cllr Phala M	229 623	40 800	90 048	46 516	406 987
Cllr Mamahlako P.M	173 675	40 800	68 108	36 186	318 767
Cllr Motseni N.L	173 674	40 800	68 108	36 186	318 767
Cllr Mapitsing T.J	173 674	40 800	68 108	39 432	322 013
Cllr Mabatane M.C	222 882	40 800	87 405	45 271	396 357
Cllr Dolamo M.F	173 674	40 800	68 108	36 186	318 767
Cllr Madihlaba M.G	173 674	40 800	68 108	36 186	318 767
Cllr Diale M.H	173 674	40 800	68 108	36 186	318 767
Cllr Thokoane M.J	173 674	40 800	68 108	36 186	318 767
Cllr Shikoane M.L	173 674	40 800	68 108	36 186	318 767
Cllr Mokomane M.L	222 882	40 800	87 405	45 271	396 357
Cllr Dieale K.E	222 882	40 800	87 405	45 271	396 357



# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021				2020
<b>39. Related parties (continued)</b>					
Cllr Seboane T.M	173 675	40 800	68 108	36 185	318 767
Cllr Leshalabe M.M	222 882	40 800	87 405	45 271	396 357
Cllr Matjomane N.M	222 882	40 800	87 405	53 405	404 600
Cllr Mathume R.D	173 674	40 800	68 108	36 179	318 760
Cllr Rankoe T.P	229 623	40 800	90 048	46 516	406 986
Cllr Thokwane K.Z	173 674	40 800	68 108	36 187	318 767
Cllr Mosoane E.M	173 674	40 800	68 108	36 186	318 767
Cllr Maleka K.J	173 674	40 800	68 108	36 186	318 767
Cllr Mahlase M.M	222 882	40 800	87 405	45 291	396 357
Cllr Nkadameng L.R	173 674	40 800	68 108	36 205	318 786
Cllr Thamaga M.R	173 674	40 800	68 108	36 205	318 786
Cllr Morodi P.E	173 674	40 800	68 108	36 186	318 767
Cllr Maredi H.M	173 674	40 800	68 108	36 186	318 767
Cllr Marabele K.O	173 674	40 800	68 108	36 186	318 767
Cllr Maila M.J	173 674	40 800	68 108	36 186	318 767
Cllr Nkgadima M.R	173 674	40 800	68 108	36 186	318 767
Cllr Masemola M.S	173 675	40 800	68 108	36 186	318 767
Cllr Makobe P.A	173 674	40 800	68 108	36 187	318 767
Cllr Mashifane G.M	173 674	40 800	68 109	36 205	318 787
Cllr Moganedi B.E	173 674	40 800	68 108	36 205	318 787
Cllr Matseding M.L	173 674	40 800	68 108	36 186	318 767
Cllr Sekwati K.D	173 674	40 800	68 108	36 205	318 787
Cllr Mamushi F	173 674	40 800	68 108	36 186	318 767
Cllr Leshaba T.R	173 675	40 800	68 108	36 205	318 786
Cllr Magashule M.E	173 674	40 800	68 108	36 205	318 786
Cllr Maduane K.A	173 674	40 800	68 108	36 186	318 767
Cllr Matjageng D.B	173 674	40 800	68 108	36 186	318 767
Cllr Mothogoane D	173 674	40 800	68 109	36 186	318 767
Cllr Komana M.L	173 674	40 800	68 108	36 186	318 767
Cllr Maloma D.R	173 674	40 800	68 108	36 186	318 767
Cllr Mogashoa N.A	173 674	40 800	68 108	36 186	318 767
Cllr Shongwe B.E	173 674	40 800	68 108	36 205	318 786
Cllr Madutlela K.K	173 674	40 800	68 108	36 205	318 786
Cllr Phasha L.P	173 674	40 800	68 108	36 205	318 786
Cllr Matjie C.D	173 675	40 800	68 108	36 186	318 766
Cllr Sebesho M.S	173 674	40 800	68 108	36 205	318 787
Cllr Ranala S.T	173 674	40 800	68 108	36 186	318 767
Cllr Makua S.S	173 674	40 800	68 108	36 185	318 767
Cllr Phala M.M	173 674	40 800	68 108	36 205	318 786
	<b>13 220 581</b>	<b>2 529 600</b>	<b>4 797 181</b>	<b>3 049 270</b>	<b>23 596 632</b>

<b>Remuneration of councillors (2020)</b>	Basic salary	Cellphone allowance	Car allowance	Pension, Medical, SDL, Data card & Travel claims	Total
Cllr Maitula B.M	551 798	40 800	-	316 450	909 049
Cllr Tala M.A (Speaker)	441 439	40 800	-	253 975	736 213
Cllr Chego D.K (Chief Whip)	413 850	40 800	159 859	89 842	704 351
Cllr Mankge H.N	413 850	40 800	159 859	78 273	692 782
Cllr Mohlala M.J	413 850	40 800	159 859	78 273	692 782
Cllr Diketane S.P (MPAC Chairperson)	405 535	40 800	156 648	50 752	653 734
Cllr Monakedi A.L	229 525	40 800	90 010	47 745	408 080
Cllr Maloma P.T	229 525	40 800	90 010	45 819	406 154
Cllr Mapheto M.T	230 780	40 800	89 144	45 429	406 154

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand				2021	2020
<b>39. Related parties (continued)</b>					
Cllr Maisela K.R	399 260	40 800	154 138	93 203	687 400
Cllr Mamahlako P.M	174 624	40 800	67 453	35 265	318 141
Cllr Motseni N.L	174 624	40 800	67 453	35 366	318 242
Cllr Mapitsing T.J	174 624	40 800	67 453	38 735	321 611
Cllr Mabatane M.C	224 100	40 800	86 564	44 233	395 697
Cllr Mathume M.R	58 284	13 600	22 703	11 649	106 235
Cllr Dolamo M.F	174 624	40 800	67 453	35 366	318 242
Cllr Madihlaba M.G	174 624	40 800	67 453	35 366	318 242
Cllr Diale M.H	174 624	40 800	67 453	35 366	318 242
Cllr Thokwane M.J	174 624	40 800	67 453	35 265	318 141
Cllr Shikoane M.L	174 624	40 800	67 453	35 366	318 242
Cllr Mokomane M.L	224 100	40 800	86 564	44 233	395 697
Cllr Diale K.E	231 384	40 800	79 280	44 233	395 697
Cllr Seboane T.M	174 624	40 800	67 453	35 366	318 242
Cllr Leshalabe M.M	224 100	40 800	86 564	45 663	397 127
Cllr Matjomane N.M	224 100	40 800	86 564	124 378	475 842
Cllr Lerobane M.P	230 780	40 800	89 144	50 655	411 379
Cllr Rankoe T.P	226 306	40 800	87 389	44 610	399 105
Cllr Thokoane K.Z	174 624	40 800	67 453	35 366	318 242
Cllr Mosoane E.M	174 624	40 800	67 453	42 703	325 579
Cllr Mathume R.D	115 783	27 200	45 405	23 618	212 007
Cllr Maleka K.J	174 624	40 800	67 453	35 336	318 242
Cllr Mahlase M.M	224 100	40 800	86 564	44 233	395 697
Cllr Nkadameng L.R	173 674	40 800	68 108	35 660	318 242
Cllr Thamaga M.R	173 674	40 800	68 108	35 660	318 242
Cllr Morodi P.E	174 624	40 800	67 453	35 366	318 242
Cllr Maredi H.M	174 624	40 800	67 453	35 366	318 242
Cllr Marabele K.O	174 624	40 800	67 453	35 366	318 242
Cllr Maila M.J	174 624	40 800	67 453	35 366	318 242
Cllr Nkgadima M.R	174 624	40 800	67 453	35 366	318 242
Cllr Masemola M.S	174 624	40 800	67 453	35 366	318 242
Cllr Makobe P.A	174 624	40 800	67 453	35 366	318 242
Cllr Mashifane G.M	173 674	40 800	67 453	35 660	318 242
Cllr Moganedi B.E	173 674	40 800	68 108	35 660	318 242
Cllr Matseding M.L	174 624	40 800	68 108	36 726	319 603
Cllr Sekwati K.D	173 674	40 800	68 108	35 660	318 242
Cllr Mamushi F	174 624	40 800	67 453	36 496	319 363
Cllr Phala M	230 780	40 800	89 144	45 455	406 154
Cllr Matjageng D.B	174 624	40 800	67 453	35 360	318 242
Cllr Maduane K.A	174 624	40 800	67 453	35 366	318 242
Cllr Mothogwane D	174 624	40 800	67 453	35 366	318 242
Cllr Komana M.L	174 624	40 800	67 453	35 366	318 242
Cllr Maloma D.R	174 624	40 800	67 453	35 366	318 242
Cllr Mogashoa N.A	174 624	40 800	67 453	35 366	318 242
Cllr Shongwe B.E	173 674	40 800	68 107	35 660	318 242
Cllr Madutlela K.K	173 674	40 800	68 107	35 660	318 242
Cllr Phasha L.P	173 674	40 800	68 107	35 660	318 242
Cllr Matjie C.D	174 624	40 800	67 453	35 366	318 242
Cllr Sebeshe M.S	173 674	40 800	68 108	35 660	318 242
Cllr Ranala S.T	174 624	40 800	67 453	35 366	318 242
Cllr Makua S.S	174 624	40 800	67 453	35 366	318 242
Cllr Magashule M.E	173 674	40 800	68 108	35 660	318 242
Cllr Leshaba T.R	173 674	40 800	68 108	35 660	318 242
Cllr Phala M.M	173 674	40 800	68 107	35 660	318 242
	<b>13 266 037</b>	<b>2 529 600</b>	<b>4 746 294</b>	<b>3 124 579</b>	<b>23 666 486</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

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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### 39. Related parties (continued)

### 40. Risk management

#### Liquidity risk

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

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with credible banking institutions and limits exposure to any one counter-party.

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

Financial instrument	2021	2020
Receivables from non-exchange transactions	3 182 059	2 977 726
Receivables from exchange transactions	1 205 755	1 271 330
Cash & Cash Equivalents	14 360 310	11 260 740
VAT Receivable	16 075 778	16 062 400
Maximum Risk Exposure	34 823 902	31 572 196

### 41. Unauthorised expenditure

Opening balance as previously reported	167 098 342	118 923 320
<b>Opening balance as restated</b>	<b>167 098 342</b>	<b>118 923 320</b>
Add: Expenditure identified - current	38 086 857	48 175 022
<b>Closing balance</b>	<b>205 185 199</b>	<b>167 098 342</b>

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

Non-cash	35 396 312	35 185 009
Cash	2 690 545	12 990 013
	<b>38 086 857</b>	<b>48 175 022</b>

#### Analysed as follows: non-cash

Employee related cost	829 000	917 000
Depreciation and amortisation	2 611 890	3 567 887
Finance charges	1 516 943	1 206 907
Provision of impairment	28 972 464	29 493 215
Actuarial Loss	1 466 015	-
	<b>35 396 312</b>	<b>35 185 009</b>

#### Analysed as follows: cash

General expenditure	2 690 545	12 990 013
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# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>41. Unauthorised expenditure (continued)</b>		
<b>Unauthorised expenditure: Budget overspending – per municipal department</b>		
Executive support	7 596 118	2 234 249
Community Services	3 515 352	-
Corporate services	6 873 968	454 496
Budget and Treasury Office	20 101 419	45 486 277
	<b>38 086 857</b>	<b>48 175 022</b>
<b>42. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	571 999	571 991
<b>Opening balance as restated</b>	<b>571 999</b>	<b>571 991</b>
Add: Expenditure identified - current	-	8
<b>Closing balance</b>	<b>571 999</b>	<b>571 999</b>
<b>43. Irregular expenditure</b>		
Opening balance as previously reported	124 876 332	89 259 115
<b>Opening balance as restated</b>	<b>124 876 332</b>	<b>89 259 115</b>
Add: Irregular Expenditure - current	62 417 624	80 667 315
Less: Amounts written-off by council	-	(45 050 098)
<b>Closing balance</b>	<b>187 293 956</b>	<b>124 876 332</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Irregular expenditure (continued)

	Details of Irregular Expenditure		
Management said the tender documents bill of quantity requested the rates per item and did not specifically request the total bid amount for three years, hence the bidders responded differently according to their understanding, The contract for Mogwape Trading Enterprise and Municipality have lapsed.	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	714 440	4 300 758
The service provider was awarded the bid in contravention of section 112 of the MFMA as the bid document of the service provider submitted for audit did not have certain pages and it also looked like a copy to the auditors. The irregular expenditure was discovered by the AGSA during the external audit for the year 2017/18 financial year. The reported expenditure relates to the 2019/20 current financial year of the 36 month contract.	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	15 069 217	21 628 870
The bid was advertised for a period less than 60 days as required by the SCM regulations and the SCM policy. The irregular expenditure was discovered by the AGSA during the external audit of the 2017/18 financial year. The reported expenditure relates to the 2019/20 financial year of the 5 year contract.	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	148 213	199 559
The tax matters of the service provider were not in good order during the appointment period. The irregular expenditure was discovered by the AGSA during the external audit of the 2017/18 financial year. The reported expenditure relates to the 2019/20 current year of the 36 month contract.	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	-	2 628 251

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Irregular expenditure (continued)

The appointed service provider did not comply with the responsive criteria as stated in the tender document by not initializing some of the pages in the tender document. The reported expenditure relates to the 2019/20 current year of the 36 month contract.	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	15 963 459	15 329 924
The appointed service provider did not comply with the responsive criteria as stated in the tender document. The irregular expenditure was discovered during the 2018/19 external audit by AGSA. The reported expenditure relates to the 2019/20 financial year of the multi-year construction contract.	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	9 382 328	15 731 752
Non-compliance with the PPPFA 80/20 point system	The expenditure was referred to MPAC by council and the conclusion was that reported expenditure be written off as irrecoverable.	-	2 646 453
The winning bidder did not comply with the responsive criteria as stated in the tender document.	The expenditure will be reported to council and be referred to MPAC for investigation in the next council meeting.	7 534 609	-
Winning bidder not included on the closing register submitted for audit.	The expenditure will be reported to council and be referred to MPAC for investigation in the next council meeting.	139 680	-
Award to a person in service of the state.	The expenditure will be reported to council and be referred to MPAC for investigation in the next council meeting.	19 850	-
CIDB grading of the winning bidder expired prior to award of the bid.	The expenditure will be reported to council and be referred to MPAC for investigation in the next council meeting.	195 000	-
Bidder's municipal account statement in arrears for more than 90 days	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	13 250 828	13 504 801
Awards to persons in the service of state	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	-	854 799
Bid advertised for less than 14 days	The irregular expenditure was referred to council which referred it to MPAC for further investigation, as at end of February 2021 the matter was not yet finalized.	-	3 842 148
		<b>62 417 624</b>	<b>80 667 315</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>44. Reconciliation between budget and statement of financial performance</b>		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus (deficit) per the statement of financial performance	35 793 655	(6 086 862)
<b>Adjusted for:</b>		
Investment revenue - under collection/(over collection)	(205 967)	1 726 753
Transfers recognised - under collection/(over collection)	604 903	(1 874 614)
Other own revenue - (under collection)/over collection	1 157 633	400 454
Depreciation - over spending/(under spending)	2 611 890	766 552
Employee related costs - over spending/(under spending)	1 850 578	3 439 540
Remuneration of councillors - over spending/(under spending)	64 660	(2 208 729)
Contracted services - over spending/(under spending)	-	(12 242 256)
Debt impairment - over spending/(under spending)	28 972 464	34 191 115
Other expenditure - over spending/(under spending)	15 322 264	77 936 106
(Gain)/Loss on disposal of assets - not budgeted for	-	196 175
Actuarial (Gains)/losses - not budgeted for	-	152 067
Property Rates - under collection/ (Over collection)	2 063 187	(1 163 457)
Interest expense - Non-current provisions & Overdue accounts	1 516 943	-
D-Roads expensed	65 678 489	-
Interests on outstanding debtors	(1 069 572)	-
<b>Net surplus per approved budget</b>	<b>154 361 127</b>	<b>95 232 844</b>
<b>45. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Amount paid - current year	(4 429 665)	(4 136 641)
<b>PAYE and UIF</b>		
Opening balance	1 225 702	-
Current year subscription / fee	16 142 848	14 005 881
Amount paid - current year	(16 142 848)	(12 780 179)
Amount paid - previous years	(1 225 702)	-
<b>Outstanding balance as at year end</b>	<b>-</b>	<b>1 225 702</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	1 679 572	-
Current year subscription / fee	23 089 581	19 624 022
Amount paid - current year	(23 089 581)	(17 944 450)
Amount paid - previous years	(1 679 572)	-
<b>Outstanding balance as at year end</b>	<b>-</b>	<b>1 679 572</b>

# Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

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

#### Incident

Deviation as per section 36(1)(a)(i) of the SCM regulation (Emergency)	620 500	749 363
Deviation as per section 36(1)(a)(ii) of the SCM regulation (Single Provider)	375 679	4 231 916
Deviation as per section 36(1)(v) of the SCM regulation (Impractical to follow SCM Process)	6 674 177	5 696 703
	<b>7 670 356</b>	<b>10 677 982</b>

### 46. Prior period errors

#### Depreciation and Amortisation

The depreciation expenditure was incorrectly calculated in the prior year resulting in a misstatement of the depreciation with an amount of R348 377. The error was corrected retrospectively and the opening balances were restated.

#### Accrued income

Accrued income from site rental and interests on bank and investments to a value of R 46 407 was incorrectly recorded in the records of the municipality in the prior financial year and the error was retrospectively corrected.

#### Statement of financial position

Decrease in Receivables from exchange transactions	-	(46 407)
Decrease in accumulated surplus closing balance - (Prior year 2019/20)	-	(348 377)
Decrease in accumulated surplus closing balance - (Prior year 2019/20)	-	(46 407)

#### Statement of financial performance

Increase in Depreciation Expenses -(Prior year 2019/20)	-	348 377
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### 47. Repairs and maintenance

Repairs and Maintenance: Other Assets	17 849 289	13 159 176
Repairs and Maintenance: Infrastructure Assets	51 026 872	47 465 176
	<b>68 876 161</b>	<b>60 624 352</b>

### 48. Administrative expenditure

Administration Expenses	3 618 000	1 459 511
Council logistics	4 141 892	505 380
Special programmes (Mayor's office)	-	7 386 306
Outreach programmes (Mayor's office)	-	2 143 308
Ward committee incentives	-	3 679 000
Whippery support	-	3 570
OHS	-	1 468 365
	<b>7 759 892</b>	<b>16 645 440</b>



## June 2021

## Land and buildings

## Infrastructure

## Community Assets

**Makhuduthamaga Local Municipality**  
**Makhuduthamaga Local Municipality**

**Appendix B**

June 2021

**Analysis of property, plant and equipment as at 30 June 2021**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposal - Cost	Transfers	Movements	Closing Balance	Opening Balance	Disposal - Accumulated Depreciation	Transfers (Accumulated depreciation)	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>													
General vehicles	35 664 681	-	-	-	-	35 664 681	(21 052 955)	-	-	(4 085 178)	-	(25 138 133)	10 526 548
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	21 182 444	2 650 202	(90 850)	-	-	23 741 796	(14 199 591)	60 047	-	(3 216 893)	-	(17 356 437)	6 385 359
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	4 859 262	1 760 430	-	-	-	6 619 692	(3 674 836)	-	-	(510 885)	-	(4 185 721)	2 433 971
Office Equipment	2 566 465	210 450	-	-	-	2 776 915	(1 923 546)	-	-	(255 516)	-	(2 179 062)	597 853
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	14 402 779	-	-	-	-	14 402 779	(2 082 770)	-	-	(645 268)	-	(2 728 038)	11 674 741
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Loose tools	3 565 962	46 000	-	-	-	3 611 962	(2 708 754)	-	-	(316 642)	-	(3 025 396)	586 566
	<b>82 241 593</b>	<b>4 667 082</b>	<b>(90 850)</b>	-	-	<b>86 817 825</b>	<b>(45 642 452)</b>	<b>60 047</b>	-	<b>(9 030 382)</b>	-	<b>(54 612 787)</b>	<b>32 205 038</b>

**Makhuduthamaga Local Municipality**  
**Makhuduthamaga Local Municipality**  
**Appendix B**

June 2021

**Analysis of property, plant and equipment as at 30 June 2021**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposal - Cost		Transfers	Movements	Closing Balance	Opening Balance	Disposal - Accumulated Depreciation Rand	Transfers (Accumulated depreciation) Rand	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	63 666 541	-	-	-	2 900 000	2 456 646	69 023 187	(15 546 494)	-	-	(6 163 301)	-	(21 709 795)	47 313 392
Infrastructure	346 199 936	21 725 409	-	-	(2 900 000)	-	365 025 345	(109 292 421)	-	-	(17 444 476)	-	(126 736 897)	238 288 448
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	82 241 593	4 667 082	(90 850)	-	-	-	86 817 825	(45 642 452)	60 047	-	(9 030 382)	-	(54 612 787)	32 205 038
	<b>492 108 070</b>	<b>26 392 491</b>	<b>(90 850)</b>	<b>-</b>	<b>-</b>	<b>2 456 646</b>	<b>520 866 357</b>	<b>(170 481 367)</b>	<b>60 047</b>	<b>-</b>	<b>(32 638 159)</b>	<b>-</b>	<b>(203 059 479)</b>	<b>317 806 878</b>
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Intangible assets under development (WIP)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computers - software & programming	8 215 070	-	-	-	-	-	8 215 070	(6 508 481)	-	-	(1 123 794)	-	(7 632 275)	582 795
	<b>8 215 070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 215 070</b>	<b>(6 508 481)</b>	<b>-</b>	<b>-</b>	<b>(1 123 794)</b>	<b>-</b>	<b>(7 632 275)</b>	<b>582 795</b>
<b>Investment properties</b>														
Investment property	209 500	-	-	-	-	-	209 500	-	-	-	-	-	-	209 500
	<b>209 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209 500</b>
<b>Total</b>														
Land and buildings	63 666 541	-	-	-	2 900 000	2 456 646	69 023 187	(15 546 494)	-	-	(6 163 301)	-	(21 709 795)	47 313 392
Infrastructure	346 199 936	21 725 409	-	-	(2 900 000)	-	365 025 345	(109 292 421)	-	-	(17 444 476)	-	(126 736 897)	238 288 448
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	82 241 593	4 667 082	(90 850)	-	-	-	86 817 825	(45 642 452)	60 047	-	(9 030 382)	-	(54 612 787)	32 205 038
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	8 215 070	-	-	-	-	-	8 215 070	(6 508 481)	-	-	(1 123 794)	-	(7 632 275)	582 795
Investment properties	209 500	-	-	-	-	-	209 500	-	-	-	-	-	-	209 500
	<b>500 532 640</b>	<b>26 392 491</b>	<b>(90 850)</b>	<b>-</b>	<b>-</b>	<b>2 456 646</b>	<b>529 290 927</b>	<b>(176 989 848)</b>	<b>60 047</b>	<b>-</b>	<b>(33 761 953)</b>	<b>-</b>	<b>(210 691 754)</b>	<b>318 599 173</b>

## June 2021

### Land and buildings

## Infrastructure

## Community Assets

## June 2021

**Makhuduthamaga Local Municipality**  
**Makhuduthamaga Local Municipality**  
**Appendix B**

June 2021

**Analysis of property, plant and equipment as at 30 June 2020**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers from WIP	Transfers(Cost)	Donations received	Closing Balance	Opening Balance	Transfers(Accumulated surplus)	Disposals	Depreciation	Impairment Loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	58 285 496	-	(712 746)	-	6 093 791	-	<b>63 666 541</b>	(11 130 685)	-	-	(4 305 014)	-	<b>(15 435 699)</b>	48 230 842
Infrastructure	327 838 442	33 445 544	-	(15 084 049)	-	-	<b>346 199 937</b>	(92 289 503)	-	-	(17 002 918)	-	<b>(109 292 421)</b>	236 907 516
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	69 523 944	3 852 974	(125 584)	8 990 258	-	-	<b>82 241 592</b>	(37 153 763)	-	-	(8 596 215)	104 853	<b>(45 645 125)</b>	36 596 467
	<b>455 647 882</b>	<b>37 298 518</b>	<b>(838 330)</b>	<b>(6 093 791)</b>	<b>6 093 791</b>	-	<b>492 108 070</b>	<b>(140 573 951)</b>	-	-	<b>(29 904 147)</b>	<b>104 853</b>	<b>(170 373 245)</b>	<b>321 734 825</b>
<b>Agricultural/Biological assets</b>														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	7 821 470	393 600	-	-	-	-	<b>8 215 070</b>	(5 124 353)	-	-	(1 384 128)	-	<b>(6 508 481)</b>	1 706 589
Intangible assets under development (D Roads)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>7 821 470</b>	<b>393 600</b>	-	-	-	-	<b>8 215 070</b>	<b>(5 124 353)</b>	-	-	<b>(1 384 128)</b>	-	<b>(6 508 481)</b>	<b>1 706 589</b>
<b>Investment properties</b>														
Investment property	209 500	-	-	-	-	-	<b>209 500</b>	-	-	-	-	-	-	209 500
	<b>209 500</b>	-	-	-	-	-	<b>209 500</b>	-	-	-	-	-	-	<b>209 500</b>
<b>Total</b>	<b>463 678 852</b>	<b>37 692 118</b>	<b>(838 330)</b>	<b>(6 093 791)</b>	<b>6 093 791</b>	-	<b>500 532 640</b>	<b>(145 698 304)</b>	-	-	<b>(31 288 275)</b>	<b>104 853</b>	<b>(176 881 726)</b>	<b>323 650 914</b>

## June 2021

Segmental analysis of property, plant and equipment as at 30 June 2021	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]