



Lejweleputswa District Municipality  
Annual Financial Statements  
for the year ended 30 June 2022

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal structures Act, 1998 (Act No.11 of 1998) read with section 115(1) of the Constitution of the republic of South Africa, 1996 ( Act No 108 of 1996)
<b>Nature of business and principal activities</b>	District municipality
<b>Mayoral committee from December 2021</b>	
Executive Mayor	Cllr NV Ntakumbana
Speaker	Cllr NS Leeto
Councillors	Cllr SE Tsuinke - MMC Health Service and Disaster Management Cllr MJ Meli - MMC LED, Tourism, Agriculture, Youth and SMME Cllr BA Kabi - MMC Community Services and Special Programmes Cllr MS Baleni - MMC Infrastructure Cllr PP Maleka - MMC Corporate Services Cllr KV Van Rooyen - MMC IDP, PMS, Policy Development and Monitoring Cllr D Kotzee - MMC Finance
<b>Municipal demarcation code</b>	DC 18
<b>Capacity of local authority</b>	Low capacity
<b>Grading of local authority</b>	4
<b>Acting Accounting Officer</b>	Mr M Makhetha
<b>Chief Finance Officer (CFO)</b>	Mr PK Pitso
<b>Registered office</b>	Office of the Municipal Manager Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
<b>Business address</b>	Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
<b>Postal address</b>	P.O. Box 2163 Welkom 9460
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor-General of South Africa
<b>Enabling legislation</b>	Constitution of the Republic of South Africa, 1995 (Act No.108 of 1995) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
<b>Website</b>	<a href="http://www.lejweleputswa.co.za">www.lejweleputswa.co.za</a>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

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CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
MMC	Member of Mayoral Committee
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
IAS	International Accounting Standards

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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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 were given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

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**M Makhetha**  
Acting Municipal Manager

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Audit Committee Report

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We are pleased to present the Audit Committee report for the financial year ended 30 June 2022 on Lejweleputswa District Municipality ("LDM").

### Audit Committee Members and Attendance

The Audit Committee ("Committee") consists of five independent members. Members are appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003). During the 2021/2022 financial year five ordinary meetings and one special meeting were held. The attendance is reflected in the table below:

Name of member	Position	Attended	Apologies	Total
Me G Mayisela	Chairperson	5	1	6
Me SPT Monosi	Member	4	2	6
Mr TA Motshoikha	Member	6	-	6
Me DS Nage	Member	5	1	6
Mr TJ Macholo	Member	6	-	6

### Audit Committee responsibility

The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee charter ("the Charter"). The Audit Committee charter is reviewed and tabled before the Council for approval on an annual basis. The last review was on 19 October 2021 and serves as a guide for the Audit Committee. The Audit Committee has discharged its responsibilities as contained in the Charter.

### The effectiveness of internal control and risk management

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.

### The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Internal Auditors of the municipality during the year under review.

### Evaluation of annual financial statements

We have:

- reviewed and discussed the annual financial statements to be included in the annual report, with the AGSA and management;
- reviewed the AGSA's management report and management's responses thereto;
- reviewed changes in accounting policies and practices;
- reviewed the Municipality's compliance with legal and regulatory provisions, and
- reviewed significant adjustments resulting from the audit.

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

### Internal Audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality through their audits. Internal Audit has developed and implemented a risk-based three year strategic and annual operational audit plan.

# **Lejweleputswa District Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Audit Committee Report**

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### **Auditor-General of South Africa**

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no material unresolved issues. We are satisfied that the Auditor-General is independent of the Municipality.

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**Me G Mayisela - Chairperson of the Audit Committee**

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2022.

### 1. Review of activities

#### Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 128 104 925 and that the municipality's total assets exceed its liabilities by R 128 104 925.

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

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

### 3. Subsequent events

#### Irregular expenditure written off

During a council meeting which was held on 29 August 2022. The council resolved that irregular expenditure amounting to R 10 868 942 be declared irrecoverable and be written off.

#### Unauthorised expenditure.

During a council meeting which was held on 29 August 2022. The council resolved that Unauthorised expenditure of R 2 912 252 be authorised in the adjustment budget

### 4. Accounting Officer

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

Mrs PME Kaota was the accounting officer for the year. Mr Makhetha is now acting since Mrs PME Koata's contract ended on 30 June 2022.

### 5. Interest in controlled entities

Name of controlled entity

Lejwe Le Putswa Development Agency

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Lejweleputswa District Municipality is the parent of Lejwe Le Putswa Development Agency SOC Ltd and holds 100% interest.

Details of the municipality's investment in controlled entities are set out in note 8.

### 6. Auditors

Auditor-General of South Africa.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	111 525 825	121 220 822
Other receivables	4	91 088	504 666
VAT receivable	5	2 084 195	2 976 161
		<b>113 701 108</b>	<b>124 701 649</b>
<b>Non-Current Assets</b>			
Property plant and equipment	6	55 172 582	54 389 828
Intangible assets	7	81 248	282 512
Investments in controlled entities	8	100	100
		<b>55 253 930</b>	<b>54 672 440</b>
<b>Total Assets</b>		<b>168 955 038</b>	<b>179 374 089</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	9	21 327 975	21 153 876
Unspent conditional grants and receipts	11	-	26 882
Long service awards	10	723 000	886 000
Employee benefit obligation	10	331 000	314 000
		<b>22 381 975</b>	<b>22 380 758</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	10	14 371 000	13 932 000
Long service awards	10	4 097 000	3 880 000
		<b>18 468 000</b>	<b>17 812 000</b>
<b>Total Liabilities</b>		<b>40 849 975</b>	<b>40 192 758</b>
<b>Net Assets</b>		<b>128 104 925</b>	<b>139 181 331</b>
Accumulated surplus		128 104 925	139 181 331

\* See Note 32



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Discount received		-	29 214
Trade-in Allowance	13	550 000	-
Operational revenue	14	137 650	225 638
Interest received	15	5 047 224	5 253 883
<b>Total revenue from exchange transactions</b>		<b>5 734 874</b>	<b>5 508 735</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Transfer and Subsidies	16	142 665 626	152 280 118
<b>Total revenue</b>	12	<b>148 400 500</b>	<b>157 788 853</b>
<b>Expenditure</b>			
Employee related cost	17	(105 160 410)	(97 396 813)
Remuneration of councillors	18	(9 622 623)	(9 356 205)
Transfers and subsidies	19	(12 141 777)	(17 150 153)
Depreciation and amortisation	20	(4 033 727)	(3 212 836)
Finance costs	22	-	(94 445)
Operating lease expenditure	23	(785 065)	(898 927)
Inventory consumed	24	(1 492 787)	(1 414 870)
Contracted services	25	(11 105 105)	(11 436 403)
Operational cost	26	(15 279 979)	(15 387 812)
<b>Total expenditure</b>		<b>(159 621 473)</b>	<b>(156 348 464)</b>
<b>Operating (deficit) surplus</b>		<b>(11 220 973)</b>	<b>1 440 389</b>
Loss on disposal of assets and liabilities		(753 544)	(146 436)
Actuarial gains/losses	10	1 754 000	234 000
Impairment loss	21	(301 414)	(342 932)
		<b>699 042</b>	<b>(255 368)</b>
<b>(Deficit) surplus for the year</b>		<b>(10 521 931)</b>	<b>1 185 021</b>

\* See Note 32

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

<b>Figures in Rand</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
<b>Balance at 01 July 2020</b>	<b>150 539 454</b>	<b>150 539 454</b>
Movement in assets	(1 138 739)	(1 138 739)
Surplus for the year	1 185 021	1 185 021
Adjustments		
Prior period error (refer to note 32)*	(11 404 404)	(11 404 404)
<b>Balance at 01 July 2021</b>	<b>139 181 331</b>	<b>139 181 331</b>
Net income (losses) recognised directly in net assets	(554 475)	(554 475)
Deficit for the year	(10 521 931)	(10 521 931)
Total changes	(11 076 406)	(11 076 406)
<b>Balance at 30 June 2022</b>	<b>128 104 925</b>	<b>128 104 925</b>
Note(s)		

\* See Note 32

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		142 665 626	152 280 118
Interest income		4 706 907	4 865 487
Other receipts		1 008 497	278 444
		<u>148 381 030</u>	<u>157 424 049</u>
<b>Payments</b>			
Employee costs		(111 428 173)	(104 650 163)
Suppliers		(40 139 077)	(52 558 772)
Finance costs		-	(94 445)
		<u>(151 567 250)</u>	<u>(157 303 380)</u>
<b>Net cash flows from operating activities</b>	29	<b><u>(3 186 220)</u></b>	<b><u>120 669</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	6	(5 995 777)	(9 692 078)
Proceeds from sale of property plant and equipment		550 000	-
Purchase of other intangible assets	7	-	(271 753)
		<u>(5 445 777)</u>	<u>(9 963 831)</u>
<b>Cash flows from financing activities</b>			
Movement in other financial liabilities		-	(3 249 925)
Employee benefit obligation payments		(240 000)	(229 000)
Movement in long service awards		(823 000)	(468 000)
		<u>(1 063 000)</u>	<u>(3 946 925)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(9 694 997)</u></b>	<b><u>(13 790 087)</u></b>
Cash and cash equivalents at the beginning of the year		121 220 822	135 010 909
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>111 525 825</u></b>	<b><u>121 220 822</u></b>

\* See Note 32

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 40
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Other income 1	-	-	-	550 000	550 000	
Operational revenue	250 000	21 000	271 000	137 650	(133 350)	X1
Other income	200 000	-	200 000	-	(200 000)	
Interest received - investment	2 850 000	1 253 000	4 103 000	5 047 224	944 224	X2
<b>Total revenue from exchange transactions</b>	<b>3 300 000</b>	<b>1 274 000</b>	<b>4 574 000</b>	<b>5 734 874</b>	<b>1 160 874</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	146 987 000	136 000	147 123 000	142 665 626	(4 457 374)	X3
<b>Total revenue</b>	<b>150 287 000</b>	<b>1 410 000</b>	<b>151 697 000</b>	<b>148 400 500</b>	<b>(3 296 500)</b>	
<b>Expenditure</b>						
Employee remuneration	(102 452 000)	(5 303 000)	(107 755 000)	(105 160 410)	2 594 590	X4
Remuneration of councillors	(9 771 000)	(453 000)	(10 224 000)	(9 622 623)	601 377	X5
Transfers and Subsidies	(17 288 000)	32 000	(17 256 000)	(12 141 777)	5 114 223	X6
Depreciation and amortisation	(5 680 000)	(471 000)	(6 151 000)	(4 033 727)	2 117 273	X7
Impairment loss/ Reversal of impairments	-	-	-	(301 414)	(301 414)	
Operating lease expenditure	-	-	-	(785 065)	(785 065)	X9
Inventory consumed	(1 978 000)	(55 000)	(2 033 000)	(1 492 787)	540 213	X10
Contracted services	(17 228 000)	267 000	(16 961 000)	(11 105 105)	5 855 895	X11
Operational cost	(22 556 000)	3 367 000	(19 189 000)	(15 279 979)	3 909 021	X12
<b>Total expenditure</b>	<b>(176 953 000)</b>	<b>(2 616 000)</b>	<b>(179 569 000)</b>	<b>(159 922 887)</b>	<b>19 646 113</b>	
<b>Operating deficit</b>	<b>(26 666 000)</b>	<b>(1 206 000)</b>	<b>(27 872 000)</b>	<b>(11 522 387)</b>	<b>16 349 613</b>	
Loss on disposal of assets and liabilities	-	-	-	(753 544)	(753 544)	
Actuarial gains/losses	-	-	-	1 754 000	1 754 000	
	-	-	-	1 000 456	1 000 456	
<b>Deficit before taxation</b>	<b>(26 666 000)</b>	<b>(1 206 000)</b>	<b>(27 872 000)</b>	<b>(10 521 931)</b>	<b>17 350 069</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(26 666 000)</b>	<b>(1 206 000)</b>	<b>(27 872 000)</b>	<b>(10 521 931)</b>	<b>17 350 069</b>	

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 40
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Other receivables	15 612 682	(11 907 140)	3 705 542	91 088	(3 614 454)	X13
VAT receivable	-	-	-	2 084 195	2 084 195	
Cash and cash equivalents	97 669 915	(4 801 788)	92 868 127	111 525 825	18 657 698	X14
	<b>113 282 597</b>	<b>(16 708 928)</b>	<b>96 573 669</b>	<b>113 701 108</b>	<b>17 127 439</b>	
<b>Non-Current Assets</b>						
Property plant and equipment	62 797 209	10 115 832	72 913 041	55 172 582	(17 740 459)	X15
Intangible assets	316 185	48 591	364 776	81 248	(283 528)	X16
Investments in controlled entities	100	-	100	100	-	
	<b>63 113 494</b>	<b>10 164 423</b>	<b>73 277 917</b>	<b>55 253 930</b>	<b>(18 023 987)</b>	
<b>Total Assets</b>	<b>176 396 091</b>	<b>(6 544 505)</b>	<b>169 851 586</b>	<b>168 955 038</b>	<b>(896 548)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	20 648 063	(10 026 501)	10 621 562	21 327 975	10 706 413	X17
Provisions	11 444 567	3 023 683	14 468 250	-	(14 468 250)	
Long service awards	-	-	-	723 000	723 000	
Employee benefit obligation	-	-	-	331 000	331 000	X20
	<b>32 092 630</b>	<b>(7 002 818)</b>	<b>25 089 812</b>	<b>22 381 975</b>	<b>(2 707 837)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	12 401 000	1 845 000	14 246 000	14 371 000	125 000	X22
Long service awards	6 020 413	637 303	6 657 716	4 097 000	(2 560 716)	X23
	<b>18 421 413</b>	<b>2 482 303</b>	<b>20 903 716</b>	<b>18 468 000</b>	<b>(2 435 716)</b>	
<b>Total Liabilities</b>	<b>50 514 043</b>	<b>(4 520 515)</b>	<b>45 993 528</b>	<b>40 849 975</b>	<b>(5 143 553)</b>	
<b>Net Assets</b>	<b>125 882 048</b>	<b>(2 023 990)</b>	<b>123 858 058</b>	<b>128 104 925</b>	<b>4 247 005</b>	

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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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. All figures have been rounded to the nearest Rand.

A summary of the significant accounting policies are disclosed below.

#### 1.1 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.

#### 1.2 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.

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Impairment testing

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

##### 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 flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as 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 dependant on the availability of data and the nature of the impairment.

##### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. 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 pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

#### Effective interest rate

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

#### Allowance for impairment

For receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Property plant and equipment

Property plant and equipment are tangible non-current 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.

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.

# Lejweleputswa District Municipality

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## Accounting Policies

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### 1.4 Property plant and equipment (continued)

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 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	Not depreciated
Buildings and paving	Straight line	30-45 years
Plant and machinery	Straight line	5-20 years
Furniture and fixtures	Straight line	5-15 years
Motor vehicles	Straight line	7-14 years
Office equipment (including computers)	Straight line	4-9 years
Emergency equipment	Straight line	5-10 years
Other property, plant and equipment	Straight line	5-10 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.

### 1.5 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.



# Lejweleputswa District Municipality

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## Accounting Policies

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### 1.5 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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:

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Item	Depreciation method	Average useful life
Computer software	Straight line	3 years indefinite

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

Intangible assets are derecognised:

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

### 1.6 Investments in controlled entities

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, 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 municipality measures all other financial assets and financial liabilities initially at fair value.

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

- 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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality 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.

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

#### Fair value measurement considerations

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

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.

#### Reclassification

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

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

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

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

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

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.

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

Financial assets measured at cost:

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

##### Financial liabilities

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

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

#### Presentation

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

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

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

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

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

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

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### Statutory receivables (continued)

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

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

### Derecognition

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

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

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

### 1.8 Leases

#### 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.

### 1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### 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.

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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 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 uses 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 municipality 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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Reversal of impairment loss

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

### 1.10 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:

# Lejweleputswa District Municipality

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## Accounting Policies

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### 1.10 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.

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### 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.

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.

# Lejweleputswa District Municipality

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## Accounting Policies

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

#### Reversal of an impairment loss

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

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

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

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.

### 1.11 Employee benefits

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined contribution plans

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

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

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

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

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

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

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



# Lejweleputswa District Municipality

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## Accounting Policies

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### 1.11 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

# Lejweleputswa District Municipality

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## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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 expenditure.

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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

### 1.13 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Interest and investment income

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

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

Interest charged on debtor accounts are limited to the principal debt as prescribed by the National Credit Act.

### 1.14 Revenue from non-exchange transactions

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Transfers

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

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

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

### 1.15 Investment income

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

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

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

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 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.

### 1.20 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.

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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.21 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.22 Segment information

A segment is an activity of an entity:

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

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

### Measurement

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

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

### 1.23 Commitments

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

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.

### 1.24 Budget information

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.25 Related parties

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

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

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

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

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

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

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

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

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

### 1.26 Events after 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.

### 1.27 VAT

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods and services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 2. New standards and interpretations

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 25 :Employee benefits</li></ul>	To be determined	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 104 (amended): Financial Instruments</li></ul>	1 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>IGRAP 7 The limit on a defined benefit, minimum funding and their interaction (revised)</li></ul>	To be determined	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>IGRAP 21 on the effect of past decisions on materiality</li></ul>	1 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>Guideline on Accounting for landfillsites</li></ul>	1 April 2023	Unlikely there will be a material impact



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	6 000	6 000
Bank balances	111 519 825	44 228 214
Short-term deposits	-	76 986 608
	<b>111 525 825</b>	<b>121 220 822</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA Bank - cheque account - 134000017	111 485 994	44 238 518	19 397 779	111 490 041	44 228 214	19 524 602
ABSA Bank - call account - 4094767743	-	23 300 079	22 516 493	-	23 300 079	22 516 493
ABSA Bank - call account - 9354965082	-	-	41 604 167	-	-	41 604 167
ABSA Bank - call account - 9356355225	-	53 686 529	51 359 646	-	53 686 529	51 359 646
<b>Total</b>	<b>111 485 994</b>	<b>121 225 126</b>	<b>134 878 085</b>	<b>111 490 041</b>	<b>121 214 822</b>	<b>135 004 908</b>

### 4. Other receivables

Council receivables	30 628 744	30 740 908
Less: Allowance for impairment	(30 537 656)	(30 236 242)
	<b>91 088</b>	<b>504 666</b>

### Credit quality of other receivables

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

### Other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	91 088	504 666
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### Reconciliation of allowance for impairment

Opening balance	(30 236 242)	(29 893 310)
Provision for impairment	(301 414)	(342 932)
	<b>(30 537 656)</b>	<b>(30 236 242)</b>

### 5. VAT receivable

VAT	2 084 195	2 976 161
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The carrying amount of VAT receivable approximates fair value due to its short term nature. The municipality reports to SARS on a cash basis and the amount receivables represent creditors/accruals owed by the municipality being more than VAT payable on cash receipts from customers. The input tax is claimed upon the cash payment to creditors. Output tax is paid upon cash receipts from debtors.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### Figures in Rand

#### 6. Property plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 140 000	-	1 140 000	1 140 000	-	1 140 000
Buildings	76 839 623	(33 276 230)	43 563 393	76 588 808	(30 679 595)	45 909 213
Plant and equipment	4 771 003	(573 360)	4 197 643	1 043 162	(400 708)	642 454
Furniture and fixtures	6 827 272	(4 930 155)	1 897 117	6 846 292	(4 613 706)	2 232 586
Motor vehicles	3 337 272	(735 210)	2 602 062	3 538 648	(1 089 346)	2 449 302
Office equipment	6 517 094	(4 760 294)	1 756 800	6 480 877	(4 484 326)	1 996 551
Emergency equipment	54 443	(38 876)	15 567	54 443	(34 721)	19 722
<b>Total</b>	<b>99 486 707</b>	<b>(44 314 125)</b>	<b>55 172 582</b>	<b>95 692 230</b>	<b>(41 302 402)</b>	<b>54 389 828</b>

#### Reconciliation of property plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation on disposal'	Depreciation	Total
Land	1 140 000	-	-	-	-	1 140 000
Buildings	45 909 213	254 815	(4 000)	1 958	(2 598 594)	43 563 393
Plant and equipment	642 454	3 744 534	(16 692)	13 831	(186 483)	4 197 643
Furniture and fixtures	2 232 586	46 508	(65 528)	49 899	(366 347)	1 897 118
Motor vehicles	2 449 302	1 530 072	(1 731 447)	528 072	(173 936)	2 602 062
Office equipment	1 996 551	419 848	(383 631)	305 993	(581 961)	1 756 800
Emergency equipment	19 722	-	-	-	(4 156)	15 566
	<b>54 389 828</b>	<b>5 995 777</b>	<b>(2 201 298)</b>	<b>899 753</b>	<b>(3 911 477)</b>	<b>55 172 582</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Property plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposal	Depreciation	Total
Land	1 140 000	-	-	-	-	-	1 140 000
Buildings	48 045 370	480 655	(57 058)	-	28 604	(2 588 358)	45 909 213
Plant and equipment	92 762	560 607	(7 699)	-	6 425	(9 036)	642 454
Furniture and fixtures	2 123 925	473 923	(324 470)	-	264 570	(305 363)	2 232 586
Motor vehicles	2 645 217	-	-	-	-	(195 919)	2 449 302
Office equipment	1 730 500	816 176	(230 900)	-	170 358	(489 583)	1 996 551
Emergency equipment	11 224	10 892	-	-	-	(2 394)	19 722
Infrastructure	3 200 000	7 597 118	-	(10 797 118)	-	-	-
	<b>58 988 394</b>	<b>9 939 371</b>	<b>(620 127)</b>	<b>(10 797 118)</b>	<b>469 957</b>	<b>(3 590 653)</b>	<b>54 389 828</b>

#### Reconciliation of Work-in-Progress 2021

Work in Progress	Included within Infrastructure
Transferred to Masilonyana	10 797 118
	(10 797 118)
	<u>-</u>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	<u>399 408</u>	<u>610 814</u>
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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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	354 050	(272 802)	81 248	3 151 452	(2 868 940)	282 512

### Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Amortisation on disposal	Amortisation	Total
Computer software	282 512	(2 797 402)	2 718 388	(122 250)	81 248

### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation on disposal	Amortisation	Total
Computer software	129 272	271 752	(26 369)	26 369	(118 512)	282 512

### 8. Investments in controlled entities

Name of company	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
Lejwe le Putswa Development Agency	100,00 %	100,00 %	100	100

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Payables from exchange transactions</b>		
Trade payables	4 522 757	4 376 518
Accrued leave pay	11 910 853	13 049 245
Accrued bonus	4 476 973	3 310 721
Retention	417 392	417 392
	<b>21 327 975</b>	<b>21 153 876</b>

### 10. Employee benefit obligations

#### Defined benefit plan

The plan is a post employment medical benefit plan.

#### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by ZAQEN Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- \* Bonitas
- \* Hosmed
- \* Keyhealth
- \* LA Health
- \* Samwumed

#### The members of the post-employment health care benefit plan are made up as follows:

In service member (employees)	125	122
In service members (employees) non-members	7	7
	<b>132</b>	<b>129</b>

#### Long service awards

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by ZAQEN Consultants and Actuaries. The projected unit credit funding method has been used to determine the past - service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. We have converted the awarded leave days into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>10. Employee benefit obligations (continued)</b>		
The amounts recognised in the statement of financial position are as follows:		
<b>Carrying value</b>		
Employee benefit obligation (non-current portion)	14 371 000	13 932 000
Employee benefit obligation (current portion)	331 000	314 000
Long service awards (non-current portion)	4 097 000	3 880 000
Long service awards (current portion)	723 000	886 000
	<b>19 522 000</b>	<b>19 012 000</b>
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	14 246 000	12 401 000
Current service cost	785 000	819 000
Interest cost	1 548 000	1 556 000
Actuarial (gain) / losses	(1 637 000)	(301 000)
Benefits paid	(240 000)	(229 000)
	<b>14 702 000</b>	<b>14 246 000</b>
Changes in the present value of the long service award obligation are as follows:		
Opening balance	4 766 000	4 228 000
Current service cost	484 000	436 000
Interest cost	510 000	503 000
Actuarial (gain) / losses	(117 000)	67 000
Benefits paid	(823 000)	(468 000)
	<b>4 820 000</b>	<b>4 766 000</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	Yield curve	Yield curve
Consumer price inflation	Difference between nominal and yield curve CPI+1%	Difference between nominal and yield curve CPI+1%
Medical aid contribution inflation		
<b>11. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
<b>Unspent conditional grants and receipts</b>		
INEP Grant	-	26 882
<b>Movement during the year</b>		
Balance at the beginning of the year	26 882	1 000 000
Additions during the year	-	10 924 000
Income recognition during the year	(26 882)	(11 897 118)
	<b>-</b>	<b>26 882</b>

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

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Unspent conditional grants and receipts (continued)</b>		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
<b>12. Revenue</b>		
Discount received	-	29 214
Trade-in allowance	550 000	-
Operational revenue	137 650	225 638
Interest received	5 047 224	5 253 883
Transfers and subsidies	142 665 626	152 280 118
	<b>148 400 500</b>	<b>157 788 853</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Discount received	-	29 214
Trade-in allowance	550 000	-
Operational revenue	137 650	225 638
Interest received	5 047 224	5 253 883
	<b>5 734 874</b>	<b>5 508 735</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Transfers and subsidies	142 665 626	152 280 118
<b>13. Trade-in allowance</b>		
Trade-in allowance	550 000	-
<b>14. Operational revenue</b>		
Commission received	66 796	50 305
Sale of Goods	1 409	-
Insurance claim	21 199	-
SDL Refund	48 246	175 333
	<b>137 650</b>	<b>225 638</b>
<b>15. Interest revenue</b>		
<b>Interest revenue</b>		
Interest received - investment and cash and cash equivalents	4 706 907	4 865 487
Interest received - trading	340 317	388 396
	<b>5 047 224</b>	<b>5 253 883</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Transfers and subsidies</b>		
<b>Operational grants</b>		
Equitable Shares	138 020 000	140 383 000
Financial Management Grant	1 000 000	1 000 000
Expanded Public Works Programme	1 178 000	1 000 000
LG Seta Grant	135 626	-
Rural Roads Asset Management Systems Grant	2 332 000	2 300 000
INEP Grant	-	7 597 118
	<b>142 665 626</b>	<b>152 280 118</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	4 645 626	11 897 118
Unconditional grants received	138 020 000	140 383 000
	<b>142 665 626</b>	<b>152 280 118</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services.		
<b>Rural Roads Asset Management Grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	2 332 000	2 300 000
Conditions met - transferred to revenue	(2 332 000)	(2 300 000)
	<b>-</b>	<b>-</b>
The purpose of the grant is for the provision of system to collect rural road, traffic data and rural access bridges.		
<b>Financial Management Grant</b>		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	<b>-</b>	<b>-</b>
The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		
<b>Expanded Public Works Programme</b>		
Current-year receipts	1 178 000	1 000 000
Conditions met - transferred to revenue	(1 178 000)	(1 000 000)
	<b>-</b>	<b>-</b>
The Expanded Public Works programme is an operational grant which is used by the municipality on its own discretion.		
<b>LG Seta Grant</b>		
Current-year receipts	135 626	-
Conditions met - transferred to revenue	(135 626)	-
	<b>-</b>	<b>-</b>



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 16. Transfers and subsidies (continued)

The purpose of the grant is to facilitate growth and performance of the local government sector. Expand employment opportunities in the local government sector to adapt to changes in the economy and needs of the country through skills development.

#### Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	26 882	1 000 000
Current-year receipts	-	6 624 000
Conditions met - transferred to revenue	(26 882)	(7 597 118)
	<u>-</u>	<u>26 882</u>

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to connect non-serviced areas to the national electricity grid , by building electrical infrastructure

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Employee related costs</b>		
Bargaining council	18 530	17 804
Basic	58 938 428	53 983 463
Bonus - 13th cheque	6 327 161	4 380 241
Cellphone allowance	257 620	233 671
Contribution to pension and provident fund	9 652 763	9 245 336
Post retirement benefits	2 475 473	3 210 933
Group life insurance	923 719	893 569
Housing benefits and allowances	534 289	550 420
Leave pay provision charge	1 579 773	3 770 308
Long-service awards	748 935	21 251
Medical aid - company contributions	4 720 719	4 826 735
Overtime payments	27 802	10 926
Standby allowance	950 937	1 435 262
Travel allowance	10 656 828	8 806 062
UIF	333 946	298 927
Senior management	7 013 487	5 711 905
	<b>105 160 410</b>	<b>97 396 813</b>

### Remuneration of Ms PME Kaota - Municipal Manager

Annual Remuneration	831 982	831 982
Car Allowance	238 929	239 270
Performance Bonuses	194 129	194 129
Contributions to UIF, Medical and Pension Funds	162 394	162 167
Cellphone Allowance	36 000	36 000
Housing Allowance	84 000	84 000
Acting Allowance and other payments	82 098	7 084
Bonus	69 332	63 712
13th cheque provision	63 554	-
	<b>1 762 418</b>	<b>1 618 344</b>

Mr Makhetha acted during the month of September and October 2021.

Mr Kupiso acted during the month of April and May 2022.

### Remuneration of Mr PK Pitso - Chief Finance Officer

Annual Remuneration	850 097	850 097
Car Allowance	67 365	70 017
Performance Bonuses	158 685	158 685
Contributions to UIF, Medical and Pension Funds	216 001	213 462
Cellphone Allowance	30 000	30 000
Acting Allowance and other payments	20 039	29 731
	<b>1 342 187</b>	<b>1 351 992</b>

Me Memane acted during the month of April and May 2022

### Remuneration of Ms Mahlangu - Manager Corporate Services

Annual Remuneration	674 583	623 405
Car Allowance	120 000	110 000
Cellphone Allowance	18 000	16 500
Contributions to UIF, Medical and Pension Funds	166 785	145 243
Housing Allowance	109 927	108 524
Performance bonus	158 685	145 461

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Employee related costs (continued)</b>		
Acting Allowance and other payments	13 250	17 559
Bonus	56 673	51 950
13 Cheque provision	51 950	-
	<b>1 369 853</b>	<b>1 218 642</b>

Me Mgobozi acted during the month of March and April 2022.

### Remuneration of Mr Kupiso - Manager Environmental Health and Disaster Management

Annual Remuneration	613 336	102 223
Car Allowance	117 453	19 820
Performance Bonuses	143 112	23 852
Contributions to UIF, Medical and Pension Funds	180 326	29 810
Cellphone Allowance	18 000	3 000
Housing Allowance	60 000	10 000
Bonus	51 111	8 519
Acting Allowance and other payments	-	27 250
13 Cheque provision	8 519	-
	<b>1 191 857</b>	<b>224 474</b>

### Remuneration of Mr Makhetha - Manager LED

Annual Remuneration	680 078	680 078
Car Allowance	144 373	144 994
Performance Bonuses	158 685	158 685
Contributions to UIF, Medical and Pension Funds	192 339	184 747
Cellphone Allowance	18 000	18 000
Housing Allowance	60 000	60 000
Bonus	56 673	51 951
Acting Allowance	8 687	-
13 Cheque provision	28 337	-
	<b>1 347 172</b>	<b>1 298 455</b>

Mr Kupiso acted during the month of October 2021

### 18. Remuneration of councillors

Mayoral committee members	4 219 599	4 542 528
Speaker	721 122	755 878
Executive mayor	896 063	934 646
Councillors	3 785 839	3 123 153
	<b>9 622 623</b>	<b>9 356 205</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has the use of a council owned vehicle for official duties as well as two full-time VIP protection/ drivers.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021			
<b>18. Remuneration of councillors (continued)</b>						
<b>Executive Mayor</b>		Basic	Cellphone Allowance	Pension and Medical Aid	Total	
Cllr Ngangelizwe		263 652	13 600	63 669	340 921	
Cllr Ntakumbana		473 362	19 248	62 532	555 142	
<b>Total</b>		<b>737 014</b>	<b>32 848</b>	<b>126 201</b>	<b>896 063</b>	
<b>Speaker</b>		Basic	Cellphone Allowance	Pension and Medical Aid	Total	
Cllr Maleka		230 771	13 600	31 090	275 461	
Cllr Leeto		395 058	17 888	32 715	445 661	
<b>Total</b>		<b>625 829</b>	<b>31 488</b>	<b>63 805</b>	<b>721 122</b>	
<b>Mayoral committee members</b>	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Back pay	Total
7 Members	2 638 545	1 010 761	155 993	414 230	-	4 219 529
	-	-	-	-	-	-
<b>Total</b>	<b>2 638 545</b>	<b>1 010 761</b>	<b>155 993</b>	<b>414 230</b>	<b>-</b>	<b>4 219 529</b>
<b>Part time councillors</b>	Basic+ PAYE	Travel Allowance	Cellphone and data allowance	Pension and Medical Aid	Total	
15 Members	1 950 218	696 936	257 462	212 586	3 117 202	
Session allowances	668 637	-	-	-	668 637	
	<b>2 618 855</b>	<b>696 936</b>	<b>257 462</b>	<b>212 586</b>	<b>3 785 839</b>	
<b>19. Transfers and subsidies</b>						
Allocation in kind: Development Agency				711 488	867 526	
Allocation in kind: Households				1 698 109	1 437 228	
Allocation in kind: Local Municipalities				-	28 000	
Allocation in kind: Private enterprises				629 108	84 630	
Monetary allocation: Development Agency				9 103 072	14 732 770	
				<b>12 141 777</b>	<b>17 150 154</b>	
<b>20. Depreciation and amortisation</b>						
Property plant and equipment				3 911 477	3 094 324	
Intangible assets				122 250	118 512	
				<b>4 033 727</b>	<b>3 212 836</b>	
<b>21. Impairment of assets</b>						
<b>Impairments</b>						
Trade and other receivables				301 414	342 932	
<b>22. Finance costs</b>						
Non-current borrowings				-	94 445	

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	785 065	898 927
<b>24. Inventory Consumed</b>		
Printing, stationary, personal protective equipment and cleaning material	1 492 787	1 414 870
<b>25. Contracted Services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	371 000	402 000
Burial Services	-	107 818
Catering Services	1 035 209	250 704
Cleaning Services	20 724	26 000
Fire Services	-	33 885
Litter Picking and Street Cleaning	1 889 376	1 558 098
Organic and Building Refuse Removal	-	29 600
Security Services	538 204	1 016 818
Project management	211 027	1 776 097
Transport Services	242 887	60 450
<b>Consultants and Professional Services</b>		
Business Advisory Services	1 806 154	863 389
Infrastructure and Planning	2 332 000	2 300 000
Laboratory Services	83 483	193 806
Legal Cost	1 900 356	1 914 511
<b>Contractors</b>		
Building	-	28 000
Catering Services	144 085	134 812
Employee Wellness	50 750	181 330
Event Promoters	-	5 000
Photographer	1 500	-
Plants, Flowers and Other Decorations	152 325	91 738
Transportation	326 025	462 347
	<b>11 105 105</b>	<b>11 436 403</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Operational cost</b>		
Achievement and Awards	28 500	22 883
Advertising and Marketing	639 113	646 092
Auditors Remuneration	3 473 896	2 930 357
Bank charges	80 579	76 014
Bursaries	149 940	197 357
Cleaning Services	1 080	-
Communication	227 508	612 787
Entertainment	348 629	201 196
External Computer Services	1 055 999	1 108 556
Fuel and oil	416 632	161 603
Hire	829 700	583 252
Insurance	672 322	527 468
Learnership and internships	1 839 444	3 880 364
Licences	21 108	11 338
Licences and Permits	1 218	-
Municipal Services	675 584	667 899
Printing and publications	28 000	-
Registration fees	126 316	11 075
Repairs and maintenance	399 408	895 320
Resettlement cost	-	25 964
Skills Development Levy	1 032 318	816 994
Subscriptions and Membership fees	1 086 187	966 531
Travel and Subsistence	1 596 718	584 113
Workmen's Compensation Fund	549 780	460 649
	<b>15 279 979</b>	<b>15 387 812</b>
<b>27. Related parties</b>		
Relationships		
Controlled entities	Refer to note 8	
<b>Related party balances</b>		
<b>Investments</b>		
Lejwe Le Putswa Development Agency (SOC) Ltd	100	100
<b>Transfers</b>		
Lejwe Le Putswa Development Agency (SOC) Ltd	9 103 072	14 732 770
<b>28. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2021</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Receivables from Non-exchange transactions	91 088	91 088
Cash and cash equivalents	111 525 825	111 525 825
	<b>111 616 913</b>	<b>111 616 913</b>
<b>Financial liabilities</b>		

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>Financial instruments disclosure (continued)</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	21 327 975	21 327 975
<b>2021</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Other receivables from non-exchange transactions	504 666	504 666
Cash and cash equivalents	121 220 822	121 220 822
	<b>121 725 488</b>	<b>121 725 488</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	21 153 876	21 153 876
Unspent conditional grants and receipts	26 882	26 882
	<b>21 180 758</b>	<b>21 180 758</b>
<b>Reclassification</b>		
<b>29. Cash (used in) generated from operations</b>		
(Deficit) surplus	(10 521 931)	1 185 021
<b>Adjustments for:</b>		
Depreciation and amortisation	4 033 727	3 212 836
Gains or loss on sale of assets	753 544	146 436
Non-cash: Net income (losses) recognised directly in net assets	(554 475)	-
Impairment	301 414	342 932
Movements in retirement benefit assets and liabilities	456 000	1 755 000
Movement in long service awards	54 000	144 000
Interest received: non cash	326 858	-
Current service cost	(1 269 000)	(1 255 000)
Actuary gain or loss	1 754 000	234 000
<b>Changes in working capital:</b>		
Other receivables from non-exchange transactions	413 578	(21 004)
Payables from exchange transactions	174 099	3 278 185
VAT	891 966	(1 588 013)
Taxes and transfers payable (non-exchange)	-	(7 313 724)
	<b>(3 186 220)</b>	<b>120 669</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>30. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Phatsimo management	988 329	3 571 699
• Komatsu	1 397 250	4 211 300
• Shorts Commercial Vehicles	-	1 417 335
	<b>2 385 579</b>	<b>9 200 334</b>
<b>Total capital commitments</b>	<b>2 385 579</b>	<b>9 200 334</b>

This committed expenditure relates to plant and equipment and will be financed by existing cash resources, funds internally generated.

### 31. Contingencies

Litigation is in process where a claim for damages was instituted against Lejweleputswa district Municipality in respect of damages to their vehicle resulting from a pothole. The potential liability is R36 182.

An application was received from the Department of Labour for non-compliance with the Employment Equity Act. The potential liability is R1 300 000

Litigation is in process for defamation of character. The potential liability is R400 000.

Two employees are claiming overtime. The potential liability is R 1 465 515.

A legal opinion was expressed by the SIU. The municipality was provided with the requested summary and the matter was finalised.

Litigation is in process where a claim for unpaid invoice. The potential liability is R500 000.

A civil matter was raised against the agency, the District municipality is to defend the Agency.

#### Nature of litigation

Labour claims	3 165 515	4 565 515
Public liability claims	536 182	1 736 182
	<b>3 701 697</b>	<b>6 301 697</b>

### 32. Prior-year adjustments

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

#### Statement of financial position



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### Figures in Rand

#### 32. Prior-year adjustments (continued)

##### 2021

	Note	As previously reported	Correction of error	Restated
Cash and cash equivalents	3	121 220 822	-	121 220 822
Other receivables	4	504 666	-	504 666
VAT receivable	5	2 976 161	-	2 976 161
Property plant and equipment	6	65 794 233	(11 404 405)	54 389 828
Intangible assets	7	282 512	-	282 512
Investments in controlled entities	8	100	-	100
		<b>190 778 494</b>	<b>(11 404 405)</b>	<b>179 374 089</b>

##### 2021

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	9	(19 942 229)	(1 211 647)	(21 153 876)
Unspent conditional grants and receipts	11	(26 882)	-	(26 882)
Long service awards	10	(886 000)	-	(886 000)
Employee benefit obligation	10	(314 000)	-	(314 000)
Employee benefit obligation	10	(13 932 000)	-	(13 932 000)
Long service awards	10	(3 880 000)	-	(3 880 000)
Opening balance of accumulated surplus		(151 797 383)	11 404 405	(139 181 331)
		<b>(190 778 494)</b>	<b>10 192 758</b>	<b>(179 374 089)</b>

#### Statement of financial performance

##### 2021

	Note	As previously reported	Correction of error	Reclassification	Restated
Discount received		29 214	-	-	29 214
Actuarial (gain)/losses		-	-	(234 000)	(234 000)
Operational revenue	13	225 638	-	-	225 638
Interest received	14	5 253 883	-	-	5 253 883
Transfer and Subsidies	15	152 280 118	-	-	152 280 118
Employee related cost	16	(97 162 812)	-	234 000	(96 928 813)
Remuneration of councillors	17	(9 356 205)	-	-	(9 356 205)
Transfers and subsidies	18	(17 148 658)	(1 496)	-	(17 150 153)
Depreciation and amortisation	19	(3 212 836)	-	-	(3 212 836)
Impairment / (Impairment loss)	20	(342 932)	-	-	(342 932)
Finance costs	21	(94 445)	-	-	(94 445)
Operating lease expenditure	22	(898 927)	-	-	(898 927)
Inventory consumed	23	(1 401 444)	(13 426)	-	(1 414 870)
Contracted services	24	(9 729 426)	(1 168 316)	(538 661)	(11 436 403)
Loss on disposal of assets and liabilities		(146 436)	-	-	(146 436)
General expenditure	25	(15 898 064)	(28 409)	538 661	(15 387 812)
<b>Surplus for the year</b>		<b>2 396 668</b>	<b>(1 211 647)</b>	<b>-</b>	<b>1 185 021</b>

##### 2021

	Note	As previously reported	Correction of error	Restated
Commitments	29	8 269 165	931 170	9 200 335

#### Errors

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

### 32. Prior-year adjustments (continued)

#### **Property, plant and equipment:**

Work-in-progress assets were completed and transferred to Masilonyana Local Municipality in the prior period  
Accumulated depreciation was restated due to unrecorded transactions in the prior period

#### **Payables from exchange transactions:**

Invoices received after the AFS were finalised and had to be accounted for in the period they occurred in

#### **Transfers and subsidies paid**

Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

#### **Inventory consumed**

Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

#### **Contracted services**

Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred  
Reclassified expenditure to the correct nature

#### **Actuarial (gain)/losses**

Restated to correct actuarial gain which was accounted for in the period under employee cost.  
Reclassified expenditure to the correct nature

#### **Operational expenditure**

Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred  
Reclassified expenditure to the correct nature

#### **Commitments**

Balance previously disclosed exclusive of VAT, VAT included in restated balance.  
Payment not related to the contract was included in the prior disclosed balance.

### 33. Risk management

#### **Financial risk management**

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

#### **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.

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

#### **Credit risk**

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

Cash and cash equivalents and investments - the municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa. The municipality does not expect any counterparty to fail to meet its obligation.

Receivables from non-exchange transactions - management evaluated credit risk relating to customers on an ongoing basis. If there is no independent rating, risk control assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 33. Risk management (continued)

#### Market risk

#### Interest rate risk

The municipality has significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The risk is managed on an on-going basis.

### 34. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 128 104 925 and that the municipality's total assets exceed its liabilities by R 128 104 925.

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

### 35. Events after the reporting date

During a council meeting which was held on 29 August 2022. The council resolved that irregular expenditure amounting to R 10 868 942 be declared irrecoverable and be written off.

During a council meeting which was held on 29 August 2022. The council resolved that Unauthorised expenditure of R 2 912 252 be authorised in the adjustment budget.

### 36. Unauthorised expenditure

Opening balance as previously reported	2 912 252	-
<b>Opening balance as restated</b>	<b>2 912 252</b>	-
Add: Expenditure identified - current	-	2 912 252
<b>Closing balance</b>	<b>2 912 252</b>	<b>2 912 252</b>

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

Non-cash	-	1 673 591
Cash	-	1 238 661
	-	<b>2 912 252</b>

#### Analysed as follows: non-cash

Employee related cost	-	984 092
Depreciation and amortisation	-	196 397
Disposal of assets	-	146 436
Impairment loss	-	342 932
Reversal of Impairment	-	3 734
	-	<b>1 673 591</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

### 36. Unauthorised expenditure (continued)

#### Analysed as follows: cash

Operational Costs	-	59 891
Contracted services	-	180 801
Transfers and subsidies	-	187 282
Employee related costs	-	808 444
	<u>-</u>	<u>1 236 418</u>

#### Unauthorised expenditure: Budget overspending – per municipal department:

Council General	-	1 474 062
Speaker	-	192 431
Executive Mayor	-	5 178
Mayoral Committee	-	11 794
Municipal Manager	-	180 919
Corporate Services	-	5 976
Property	-	107 275
Finance Services	-	137 358
LED and Planning	-	695 557
Disaster Management	-	34 536
Environmental Health	-	67 167
	<u>-</u>	<u>2 912 253</u>

### 37. Irregular expenditure

Opening balance as previously reported	10 949 679	1 253 349
<b>Opening balance as restated</b>	<b>10 949 679</b>	<b>1 253 349</b>
Add: Irregular Expenditure - current	5 966 166	10 818 350
Add: Irregular Expenditure - prior period	-	50 592
Less: Amount written off - prior period	(10 868 942)	(1 172 612)
<b>Closing balance</b>	<b>6 046 903</b>	<b>10 949 679</b>

### 38. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government (SALGA)

Current year subscription / fee	1 040 323	926 739
Amount paid - current year	(1 040 323)	(926 739)
	<u>-</u>	<u>-</u>

#### Audit fees

Current year subscription / fee	3 473 896	2 930 356
Amount paid - current year	(3 199 692)	(2 930 356)
	<u>274 204</u>	<u>-</u>

#### PAYE, SDL and UIF

Current year subscription / fee	20 865 934	19 433 391
Amount paid - current year	(20 865 934)	(19 433 391)
	<u>-</u>	<u>-</u>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### Pension and medical aid deductions

Current year subscription / fee	25 324 519	25 175 115
Amount paid - current year	(25 324 519)	(25 175 115)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	<u>2 084 195</u>	<u>2 976 161</u>
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VAT output payables and VAT input receivables are shown in note 5.

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

#### Supply Chain Management Regulations

In terms of Regulation 45 of the Municipal Supply Chain Management Regulations, awards above R2 000 were made to the below companies whose directors have spouses, children or parents in service of the state.

#### Company

Chav 814-Solutions (The father of the director works for the state)	92 305	46 958
Finger Attorneys (Spouse of the director works for the state)	2 689 340	-
	<u>2 781 645</u>	<u>46 958</u>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 39. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Details per supplier	Reason for deviation	2022	2021
Keritrix(pty) Ltd	Due to water supply cuts by sedibeng water to Matjhabeng Local Municipality, Matjhabeng community members were left with no access to water for several days. Only service provider submitted quote as the other service providers wanted upfront payment due to the economic impact.	243 750	-
Amaxabeni Construction plant	Strip & Quote: Impractical to obtain quote due to the urgent nature of the state of general maintenance of Council Chamber, Executive Mayor and Speakers offices and boardrooms and other facilities at the Political Building.	288 730	-
MMA Johnnies Trading	Repairs to the roof of municipal offices after it was blown away after a storm	-	198 933
Adapt IT	Finance Department renews GRAP software licenses annually, the software assists the municipality with the compilation of the financial statements. The GRAP software is only provided by one company, Adapt IT. Due to Adapt IT being the only supplier it is not possible to provide 3 quotations.	-	118 839
Flair Media /City press	Advert of vacant policy	-	40 250
Human Motor Welkom	Repairs and service to municipality vehicle	-	44 611
Malegeo Holdings	Malegeo Holdings was appointed to supply a generator	-	218 700
		<b>532 480</b>	<b>621 322</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 40. Budget differences

#### Material differences between budget and actual amounts

X1 - Municipality budgeted for receipt of SDL refund, as per prior years. However we did not receive the refund, resulting in overbudgeting for operational revenue

X2 -We anticipated a decline in investment due to there only being two short term investments and interest rates declining.We received more than we had budgeted for

X3 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required.

X4 -Variance is less than 10% , variance is judged to be insignificant and thus no reason is required.

X5 - Variance is less than 10% , difference is judged to be insignificant and thus no reason is required.

X6 - Budgeted for Municipal Systems Improvement Grant expenditure as per the DORA allocation, the grant was not received resulting in under-expenditure

X7 - The under expenditure on the capital budget led to the under expenditure of depreciation

X8 - The outstanding interest interest on the loan account was settled during the financial year

X9 - Due to the cancelation of an operating lease that was supposed to commence during the financial year

X 10 - Overbudgeted due to anticipated increase in inventory consumed expenditure due to the procurement of consumables such as stationery, printing paper and printer cartridges as the easing of COVID 19 regulations lead to more employees returning to the office

X 11 - Cost containment strategy and under-expenditure of the budget due to lockdown regulations.

X12 - Overbudgeted due to anticipated increase in operational expenditure such travel and subsistence as the easing of COVID 19 regulations lead to more employees returning to the office.

X 13 - Management had not accounted for the impairment allowance of debtors, however the allowance for impairment greatly decreased debtor balances.

X 14 - Management did not spent 100% of it's budget, as a result the budgeted cash and cash equivalents is less than the actual cash and cash equivalents at year end.

X 15 - Variance as a result of capital budget being underspent and assets disposed during the financial year.

X 16 - Variance as a result of capital budget being underspent and assets disposed during the financial year.

X 17 - Material variance due to the unanticipated increase attributable to accrued leave pay, bonus and trade payables that had to be accrued at the end of the financial year.

X 18 -The National Treasury budget formats aggregates Employee Benefit Obligations and Long Service Awards under Provisions, therefore the budgets for Employee Benefit Obligations and Long Service Awards are included in the Provisions budget.

X 19- Variance is less than 10% , variance is judged to be insignificant and thus no reason is required.

X 20 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

### 41. Segment Information

#### General Information

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 41. Segment Information (continued)

#### Identification of segments

The municipality is organised and reports to management on the basis of functional classification. The segments were organised around the type of functions. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purpose

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

#### Aggregated segments

The municipality operates throughout the Free State Province in 5 municipalities. Segments were aggregated on the basis of services delivered.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Lejweleputswa District Municipality

#### Goods and/or services

Please refer to the Statement of Financial Position and Statement of Financial Performance

#### Segment surplus or deficit.

#### Information about segment surplus/deficit

**Revenue** – Please refer to the Statement of Financial Performance for information about the reportable segment

**Expenditure** - Please refer to the Statement of Financial Performance for information about the reportable segment

#### Information about segment assets and liabilities

**Assets** - Please refer to the Statement of Financial Position for information about the reportable segment

**Liabilities** - Please refer to the Statement of Financial Position for information about the reportable segment

**Net Assets** - Please refer to the Statement of Financial Position for information about the reportable segment.

#### Measurement of segment surplus or deficit, assets, and liabilities

#### Basis of accounting for transactions between reportable segments

The municipality does not have any identifiable segments and as such there are no transactions between segments.

#### Information about geographical areas

The municipality's operations are in the Free State Province

The municipality does not report on a geographical basis; therefore, information is not available, and it is therefore impractical to report on geographical basis.