THABO MOFUTSANYANA District Municipality

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2021

Index

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
VAT	Value Added Tax
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MSIG	Municipal System Improvement Grant
LGSETA	Local Government Services Sector Education and Training Authority
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association

General Information

Legal form of entity	District Municipality (DC19)
Mayoral committee	
Executive Mayor	Cllr. MJ Vilakazi
	Cllr. MS Maduna (Speaker)
	Cllr. SJ Mbiwe (Chief Whip)
	Cllr. MM Twala (MPAC Chairperson)
	Cllr. G Bengell (MMC - Agricultural Services)
	Cllr. KJ Tsoene (MMC - Infrastructural Services)
	Cllr. TI Mkhwanazi (MMC - Corporate Services)
	Cllr. JM Radebe (MMC - Community Services)
	Cllr. MB Mamba (MMC - Financial Services)
	Cllr. SM Visagie (MMC - LED & Tourism)
	Cllr. ND Mofokeng (MMC - Muncipal Health & Disaster Services)
	Cllr. TJ Tshabalala (MMC - IDP & PMS Services)
Councillors	Cllr. MD Marais
	Cllr. S Mkhwanazi
	Cllr. PP Khanye
	Cllr. MA Maleka
	Cllr. TB Jakobo
	Cllr. MC Ndlebe
	Cllr. MM Hlakane
	Cllr. DL Taetsane
	Cllr. MJ Mokoena
	Cllr. VR Mohala
	Cllr. ME Sempe
	Cllr. BM Sani
	Cllr. BE Meya
	Cllr. PG Makae
	Cllr. MJ Lebesa
	Cllr. AM Oates
	Cllr. LG Nhlapo
	Cllr. MC Botha
	Cllr. SE Tshabalala
	Cllr. MM Mokhele
	Cllr. MB Hlatshwayo
	Cllr. EN Gamede
	Cllr. MW Dlamini
	Cllr. M Motsoeneng
	Cllr. MS Mkhwanazi
	Cllr. H Dlamini
	Cllr. TP Motlokoa
	Cllr. MA Mosia
	Cllr. T Mosia

General Information

Grading of local authority	Grade 11
Accounting Officer	Ms. TPM Lebenya (Appointed 01 December 2017)
Chief Financial Officer	Ms. NL Gqoli (Appointed 01 February 2018)
Business address	1 Mampoi Street Old Parliament Building Witsieshoek 9870
Postal address	Private Bag X810 Witsieshoek 9870
Bankers	ABSA NEDBANK
Auditors	Auditor General of South Africa (AGSA)
Attorneys	Sibeko Attorneys Inc.

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial 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.

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

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records 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.

I have reviewed the municipality’s cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, I am 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 grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government of the republic has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am 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 7 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021.

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TPM Lebenya

Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021. We submit this report in line with the provision of section 166(2) of the Municipal Finance Management Act for Council's consideration.

Audit committee members and attendance

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

Name of member	Number of meetings attended
Mr GA Ntsala (Chairperson)	6
Ms MS Khetha (Member)	7
Mr TS Morare (Memeber)	7
Ms MV Ntipe	7

Audit committee responsibility

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

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

Evaluation of annual financial statements

The audit committee has:

- reviewed the high level of unaudited annual financial statements to be included in the annual report, with management and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

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

Internal audit

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

Auditor-General of South Africa

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

Chairperson of the Audit Committee

Date: ________________________

Report of the Auditor General

To the Provincial Legislature of THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Auditor General of South Africa (AGSA)

30 November 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in rendering support to the local municipalities within the district and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had a surplus of R 9 286 539 and that the municipality's total assets exceed its total liabilities by R 21 155 027. These conditions and events do not cast doubt on the municipality's ability to continue as a going concern.

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year with the exception of the Covid-19 pandemic.

4. Accounting policies

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

5. Accounting Officer

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

Name	**Appointed**
TPM Lebenya	01 December 2017

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	4	4 811 058	4 037 861
Receivables from non-exchange transactions	5	2 156 134	4 008
Cash and cash equivalents	6	32 956 597	26 559 515
		39 923 789	**30 601 384**
Non-Current Assets			
Property, plant and equipment	7	10 083 427	12 494 781
Intangible assets	9	493 673	708 660
		10 577 100	**13 203 441**
Total Assets		**50 500 889**	**43 804 825**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	17 320 271	22 110 290
Unspent conditional grants and receipts	11	910 202	259 922
Employee benefit obligation	12	864 389	260 000
		19 094 862	**22 630 212**
Non-Current Liabilities			
Employee benefit obligation	12	10 251 000	8 627 000
Total Liabilities		**29 345 862**	**31 257 212**
Net Assets		**21 155 027**	**12 547 613**

The accounting policies on pages 15 to 42 and the notes on pages 43 to 72 form an integral part of the annual financial statements.

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Commission income (Agency services (CETA))	24	2 213 571	1 113 850
Recoveries (Gains on debt impairment provision adjustment)	4	114 877	-
Sundry income	17	253 336	123 661
Interest received - investments	15	1 782 959	2 581 477
Gain on disposal of assets		63 458	-
Total revenue from exchange transactions		**4 428 201**	**3 818 988**
Revenue from non-exchange transactions			
Other revenue			
Service in kind revenue	16	5 298 479	4 883 391
Transfer revenue			
Government grants and subsidies	13	142 080 726	129 643 938
Other transfer revenue	14	-	224 295
Total revenue from non-exchange transactions		**147 379 205**	**134 751 624**
Total revenue	36	**151 807 406**	**138 570 612**
Expenditure			
Employee related costs	21	(85 661 972)	(73 513 847)
Remuneration of councillors	21	(11 681 264)	(11 884 130)
Depreciation and amortisation	18	(3 287 892)	(3 919 047)
Finance costs	19	(1 088 000)	(947 739)
Lease rentals on operating lease	39	(15 627)	(61 636)
Contracted services	35	(2 628 164)	(4 041 401)
Loss on disposal of assets	7	-	(755 117)
Operational Expenses	20	(37 293 948)	(41 707 312)
Total expenditure		**(141 656 867)**	**(136 830 229)**
Surplus for the year from continuing operations		**10 150 539**	**1 740 383**
Actuarial gains/(losses)		(864 000)	1 357 000
Surplus for the year		**9 286 539**	**3 097 383**

The accounting policies on page 15 to 43 and the notes on pages 43 to 73 form an integral part of the annual financial statements.

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019 as restated	**(1 878 647)**	**(1 878 647)**
Changes in net assets		
Surplus / (Deficit) for the year	3 097 383	3 097 383
Prior period errors	10 494 516	10 494 516
Total changes	13 591 899	13 591 899
Restated* Balance at 01 July 2020	**12 547 613**	**12 547 613**
Changes in net assets		
Surplus / (Deficit) for the year	9 286 539	9 286 539
Total changes	9 286 539	9 286 539
Balance at 30 June 2021	**21 834 152**	**21 834 152**

Note(s)

The accounting policies on page 15 to 40 and the notes on pages 41 to 69 form an integral part of the annual financial statements.

* See Note 41

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Grants		140 990 928	129 608 311
Interest income		1 782 959	2 516 728
Other receipts		2 466 907	-
Cash receipts from receivables		289 240	1 715 143
		145 530 034	133 840 182
Payments			
Employee costs		(94 992 382)	(83 202 672)
Suppliers		(42 196 613)	(28 487 685)
Finance costs		(1 088 000)	(947 739)
Benefits paid relating to long service awards		(122 997)	(270 000)
		(138 399 992)	(112 908 096)
Net cash flows from operating activities	22	**7 130 042**	**20 932 086**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(802 812)	(3 378 903)
Proceeds from sale of other intangible assets	9	-	353 302
Proceeds from sale of asset		141 261	-
Net cash flows from investing activities		**(661 551)**	**(3 025 601)**
Cash flows from financing activities			
Employee benefit obligation payments		(104 615)	(170 000)
Net increase/(decrease) in cash and cash equivalents		**6 363 876**	**17 538 418**
Cash and cash equivalents at the beginning of the year		26 559 515	8 641 085
Cash and cash equivalents at the end of the year	6	**32 923 391**	**26 179 503**

The accounting policies on page 15 to 40 and the notes on pages 41 to 69 form an integral part of the annual financial statements.

* See Note 41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Agency services (CETA)	2 090 000	863 086	**2 953 086**	2 213 571	**(739 515)**	40.1 & 40.18
Recoveries (gains on debt impairment adjustment	-	-	**-**	114 877	**114 877**	
Sundry income	3 000	107 950	**110 950**	253 336	**142 386**	40.2
Interest received - investment	2 006 364	(268 735)	**1 737 629**	1 782 959	**45 330**	40.3
Gains on disposal of assets	-	-	**-**	63 458	**63 458**	
Total revenue from exchange transactions	**4 099 364**	**702 301**	**4 801 665**	**4 428 201**	**(373 464)**	
Revenue from non-exchange transactions						
Other revenue						
Non cash reserves (Depreciation)	2 778 788	-	**2 778 788**	-	**(2 778 788)**	40.19
Service in kind revenue	4 718 845	-	**4 718 845**	5 298 479	**579 634**	40.21
Transfer revenue						
Government grants & subsidies	133 463 000	9 453 000	**142 916 000**	142 080 726	**(835 274)**	40.22
Total revenue from non-exchange transactions	**140 960 633**	**9 453 000**	**150 413 633**	**147 379 205**	**(3 034 428)**	
Total revenue	**145 059 997**	**10 155 301**	**155 215 298**	**151 807 406**	**(3 407 892)**	
Expenditure						
Employee related costs	(78 144 286)	(3 977 561)	**(82 121 847)**	(85 661 972)	**(3 540 125)**	40.23
Remuneration of councillors	(12 102 463)	(2 500)	**(12 104 963)**	(11 681 264)	**423 699**	40.24
Depreciation and amortisation	(2 778 788)	-	**(2 778 788)**	(3 287 892)	**(509 104)**	40.5 & 40.25
Finance costs	(234 932)	-	**(234 932)**	(1 088 000)	**(853 068)**	40.6 & 40.26
Lease rentals on operating lease	-	-	**-**	(15 627)	**(15 627)**	40.7
Contracted Services	(9 974 000)	500 000	**(9 474 000)**	(2 628 164)	**6 845 836**	40.8
Operational Expenses	(39 875 085)	(5 051 561)	**(44 926 646)**	(37 293 948)	**7 632 698**	40.9
Total expenditure	**(143 109 554)**	**(8 531 622)**	**(151 641 176)**	**(141 656 867)**	**9 984 309**	
(Deficit) / Surplus	**1 950 443**	**1 623 679**	**3 574 122**	**10 150 539**	**6 576 417**	
Surplus for the year from continuing operations	**1 950 443**	**1 623 679**	**3 574 122**	**10 150 539**	**6 576 417**	
Actuarial gains/(losses)	-	-	**-**	(864 000)	**(864 000)**	
	1 950 443	**1 623 679**	**3 574 122**	**9 286 539**	**5 712 417**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	1 105 254	230 945	**1 336 199**	4 811 058	**3 474 859**	40.10 & 40.27
Receivables from non-exchange transactions	-	-	**-**	2 156 134	**2 156 134**	
Cash and cash equivalents	4 697 375	22 746 947	**27 444 322**	32 956 597	**5 512 275**	40.12
	5 802 629	**22 977 892**	**28 780 521**	**39 923 789**	**11 143 268**	
Non-Current Assets						
Property, plant and equipment	5 496 200	3 500 000	**8 996 200**	10 083 427	**1 087 227**	40.13 & 40.30
Intangible assets	351 216	1 063 291	**1 414 507**	493 673	**(920 834)**	40.14 & 40.31
	5 847 416	**4 563 291**	**10 410 707**	**10 577 100**	**166 393**	
Total Assets	**11 650 045**	**27 541 183**	**39 191 228**	**50 500 889**	**11 309 661**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	6 525 000	898 663	**7 423 663**	17 320 271	**9 896 608**	40.15
Unspent conditional grants and receipts	-	-	**-**	910 202	**910 202**	40.16
Employee benefit obligation	-	-	**-**	864 389	**864 389**	40.32
	6 525 000	**898 663**	**7 423 663**	**19 094 862**	**11 671 199**	
Non-Current Liabilities						
Employee benefit obligation	8 442 311	184 689	**8 627 000**	10 251 000	**1 624 000**	40.32
Total Liabilities	**14 967 311**	**1 083 352**	**16 050 663**	**29 345 862**	**13 295 199**	
Net Assets	**(3 317 266)**	**26 457 831**	**23 140 565**	**21 155 027**	**(1 985 538)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(3 317 266)	26 457 831	**23 140 565**	21 155 027	**(1 985 538)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	133 463 000	9 453 000	**142 916 000**	140 990 928	**(1 925 072)**	40.33
Interest income	2 006 364	(268 735)	**1 737 629**	1 782 959	**45 330**	40.34
Other receipts	9 590 633	971 036	**10 561 669**	2 466 907	**(8 094 762)**	40.35
Cash receipts from receivables	-	-	**-**	289 240	**289 240**	
	145 059 997	**10 155 301**	**155 215 298**	**145 530 034**	**(9 685 264)**	
Payments						
Employee costs	(139 095 833)	(10 582 709)	**(149 678 542)**	(94 992 382)	**54 686 160**	40.36
Suppliers	-	-	**-**	(42 196 613)	**(42 196 613)**	
Finance costs	(234 932)	-	**(234 932)**	(1 088 000)	**(853 068)**	40.37
Other payments	(1 000 000)	-	**(1 000 000)**	-	**1 000 000**	
Benefits paid relating to long service awards	-	-	**-**	(122 997)	**(122 997)**	
	(140 330 765)	**(10 582 709)**	**(150 913 474)**	**(138 399 992)**	**12 513 482**	
Net cash flows from operating activities	**4 729 232**	**(427 408)**	**4 301 824**	**7 130 042**	**2 828 218**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(802 812)	**(802 812)**	40.38
Proceeds from sale of property, plant and equipment	-	-	**-**	141 261	**141 261**	
Decrease (Increase) in non-current receivables	(105 000)	-	**(105 000)**	-	**105 000**	
Impairment of capital assets	(1 950 443)	(2 817 707)	**(4 768 150)**	-	**4 768 150**	
Net cash flows from investing activities	**(2 055 443)**	**(2 817 707)**	**(4 873 150)**	**(661 551)**	**4 211 599**	
Cash flows from financing activities						
Employee benefit obligation payments	-	-	**-**	(104 615)	**(104 615)**	
Net increase/(decrease) in cash and cash equivalents	2 673 789	(3 245 115)	**(571 326)**	6 363 876	**6 935 202**	
Cash and cash equivalents at the beginning of the year	1 450 000	-	**1 450 000**	26 179 503	**24 729 503**	
Cash and cash equivalents at the end of the year	**4 123 789**	**(3 245 115)**	**878 674**	**32 543 379**	**31 664 705**	

The accounting policies on page 15 to 40 and the notes on pages 41 to 69 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgements include:

Receivables

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Property, plant and equipment

As described in accounting policies 1.3 and 1.4, the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation.

Management considered the impact of technology, availability of capital funding, service requirement and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgemental as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provision for long service awards

The present value of the provision for long service awards depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of the provision for long service awards.

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 obligation. In determining the appropriate discount rate, the municipality considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for the provision for long service awards are based on current market conditions. Additional information is disclosed in note 12.

Impairment of receivables

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments

(c) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it is probable that the borrower will enter sequestration or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

(i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or

(ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

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

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

Item	Depreciation method	Maximum useful life
Furniture and fixtures	Straight line	21 years
Motor vehicles	Straight line	5 - 11 years
IT equipment	Straight line	16 years
Machinery and equipment	Straight line	14 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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 asset or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 - 6 years

Accounting Policies

1.4 Intangible assets (continued)

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

1.5 Investment assets

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.6 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 collectability.

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

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

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

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

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, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

A financial 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.

Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

Classification

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

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

Accounting Policies

1.6 Financial instruments (continued)

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

1.6 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and collectablility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

Accounting Policies

1.6 Financial instruments (continued)

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it 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 entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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 an 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 an expense in surplus or deficit.

1.6 Financial instruments (continued)

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.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default of delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Payables from exchange transactions

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

Cash and cash equivalents

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

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.7 Statutory receivables

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.

1.7 Statutory receivables (continued)

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

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.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

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

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

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

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

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

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

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

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using the standard of GRAP on 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.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates commercial return.

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

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Reversal of impairment loss

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

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

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

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

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

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.

Accounting Policies

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Recognition and measurement (Individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.11 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.11 Employee benefits (continued)

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 services.

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 cell phone) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity 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 entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- 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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity 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 entity has no realistic alternative but to make the payments.

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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 entity during a reporting period, the entity recognise 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, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- 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.

Provision for long service awards

For the provision for long service awards the cost of providing the benefits is determined using the projected credit method.

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

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

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-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. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long term incentives are accounted for through the statement of financial performance.

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.

Accounting Policies

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.

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

Accounting Policies

1.12 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 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.

Sale of goods

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest received

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

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

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

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

Accounting by principals and agents

Municipality has an arrangement with CETA where the municipality is responsible for paying learner stipends, CETA has signed agreements with learners and municipality is entitled to administrations and rural allowance fees.

The municipality does not determine the significant terms and conditions of the contract, as CETA identifies the beneficiaries of the programme, and identifies how much should be paid by each beneficiary

Significant terms and conditions of the arrangements did not change during the reporting period

(a) A description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent’s own financial statements. Such disclosure shall include:

(i) the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and

(ii) risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal;

(b)The aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and

(c) a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

Accounting Policies

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.

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 arises 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.

1.14 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate of 14% from 1 July 2017 to 31 March 2018 and a standard rate of 15% from 1 April 2018 onwards in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises 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.

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.

Services in-kind includes services provided by individuals but also includes right of to use of an asset, without charge, but may be subject to stipulations

For the recognition criteria of the services in-kind to be recognised, refer to the section on assets. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of the service. In many cases the entity will recognise an expense for the consumption of the service

To the extent that the service in-kind is significant to the operations and/or service delivery objectives of the recipient of such a service in-kind and it meets the criteria for recognition, although there maybe uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the service.

Basis on which the fair value has been measured has considered fact that the service in kind is received from Department of Public Works and the department does not have to comply with GRAP they are on Cash payments basis and have only valued the buildings in 2013 financial period with the inclusion that yearly escalations are between 7,5% to 8,5%

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.

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

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.

Accounting Policies

1.17 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit..

The municipality has an arrangement with CETA where the municipality is responsible for paying learner stipends, CETA has signed agreements with learners and municipality is entitled to administrations and rural allowance fees.t

The municipality does not determine the significant terms and conditions of the contract, as CETA identifies the beneficiaries of the programme, and identifies how much should be paid by each beneficiary

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

(a) A description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent’s own financial statements. Such disclosure shall include

(i) the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and

(ii) risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal

(b)The aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and

(c) a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Accounting Policies

1.17 Accounting by principals and agents (continued)

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.

1.19 Unauthorised expenditure

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

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

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

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

1.21 Irregular expenditure (continued)

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

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

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

1.22 Use of estimates

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

Estimates in the financial statements include but are not limited to the following:
- Depreciation
- Bad debts,
- Long service awards

1.23 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board. The jurisdiction of Thabo Mofutsanyana District Municipality comprises of the following local municipalities:

- Maluti-A-Phofung Local Municipality
- Dihlabeng Local Municipality
- Setsoto Local Municipality
- Mantsopa Local Municipality
- Nketoana Local Municipality
- Phumelela Local Municipality

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.25 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives. Deviations between budget and actual amounts are regarded as material differences when more than 10% deviation exists. Refer to Note 41 for all material differences explained.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30. The financial statements are prepared on the accrual basis of accounting, and the budget is prepared on the accrual basis. A comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

The annual budget figures have been prepared in accordance with the GRAP standard. The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts.

Explanatory comment is provided in the notes to the annual financial statements giving reasons for significant individual variances between budgeted and actual amounts. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on accrual basis.

The Statement of comparison of budget and actual amounts has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

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

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.

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).

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.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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

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.

1.29 Commitments

The term ‘commitments’ is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made. The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

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

3. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2021	Financial assets at amortised cost	Total
Receivables	6 967 192	6 967 192
Cash and cash equivalents	32 956 597	32 956 597
	39 923 789	**39 923 789**

2020	Financial assets at amortised cost	Total
Receivables	4 041 869	4 041 869
Cash and cash equivalents	26 559 515	26 559 515
	30 601 384	**30 601 384**

4. Receivables from exchange transactions

Sundry debtors	1 135 400	1 028 528
VAT Receivables	4 065 203	3 404 449
Suspense account - unidentified payment	304 143	304 143
Impairment provision	(693 688)	(699 259)
	4 811 058	**4 037 861**

Credit quality of trade and other receivables

The credit quality of receivables from 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.

Receivables from exchange and non-exchange transactions impaired

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- The impairment of receivables is based on the continuous reassessment debtor accounts to identify doubtful accounts on basis of persistent default on payment of the accounts and the probability of payment.

As of 30 June 2021, R 3, 526, 919 (2020: R 3, 641 ,796) receivables from exchange and non-exchange transactions were impaired and provided for.

The ageing of these receivables from exchange and non-exhange transactions is as follows:

Receivables past due but not impaired		
From exchange transactions	735 855	633 411
From non-exchange transactions	2 124 633	29 814
VAT receivable	4 065 203	3 404 449
	6 925 691	**4 067 674**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivables from exchange transactions (continued)

2021	Current	30 Days	60 days	90 days	120+ days	Total
Receivables from exchange transactions	180 535	-	-	-	555 320	735 855
Receivables from non-exchange transactions	2 005 578	-	-	-	149 819	2 155 397
VAT Receivable	-	660 754	-	-	3 404 449	4 065 203
Subtotal	2 186 113	660 754	-	-	4 109 588	6 956 455
	2 186 113	**660 754**	**-**	**-**	**4 109 588**	**6 956 455**

Receivables past due and impairment provided for

	2021	2020
Receivables from exchange transactions	389 545	389 545
Receivables from non-exchange transactions	3 148 110	3 210 138
Impairment provided for receivables from exchange transactions	(389 545)	(389 545)
Impairment provided for receivables from non-exchange transactions	(3 148 110)	(3 210 138)
	-	-

2021	Current	30 days	60 days	90 days	120+	Total
Receivables from exchange transactions	-	-	-	-	389 545	389 545
Receivables from non-exchange transactions	-	-	-	-	3 148 110	3 148 110
Subtotal	-	-	-	-	3 537 655	3 537 655
	-	**-**	**-**	**-**	**3 537 655**	**3 537 655**

	2021	2020
0 to 3 months	2 846 867	1 572 249
Over 6 months	7 647 244	6 810 195
	10 494 111	**8 382 444**

Reconciliation of impairment of receivables from exchange and non-exchange transactions

	2021	2020
Opening balance	3 641 796	3 641 796
Impairment provision adjustment	(114 877)	-
	3 526 919	**3 641 796**

5. Receivables from non-exchange transactions

	2021	2020
Unsolicited debit orders	79 241	-
Government grants and subsidies (EEDSM)	2 000 000	-
Overpayment to Municipal Officials	29 814	29 814
Seconded councillors salaries over payment	1 784 288	1 784 288
Councillors over payment	696 033	708 454
Municipal Manager overpayment	399 989	423 989
Impairment	(2 833 231)	(2 942 537)
	2 156 134	**4 008**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Bank balances	1 767 473	9 948 632
Short-term deposits	31 189 124	16 610 883
	32 956 597	**26 559 515**

Notes to the Annual Financial Statements

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA BANK - Cheque Account - 770-150-841	1 767 473	9 948 632	6 695 645	1 767 473	9 948 632	6 695 645
ABSA BANK - Fixed Deposit - 207-523-7209	-	42 810	40 648	-	42 810	40 648
ABSA BANK - Liquidity Plus - 932-530-0160	-	34 688	32 864	-	34 688	32 864
ABSA BANK - Fixed Deposit - 409-474-09223	3 068 236	2 962 671	1 870 198	3 068 236	2 962 671	1 870 198
ABSA BANK - Fixed Deposit - 935-501-3452	1 505 126	8 309 779	-	1 505 126	8 309 779	-
ABSA BANK - Fixed Deposit - 835-762-5891	5 775 068	5 260 935	-	5 775 068	5 260 935	-
NEDBANK - FIXED DEPOSIT - 3788-1151-676/000002	20 840 694	-	-	20 840 694	-	-
Total	**32 956 597**	**26 559 515**	**8 639 355**	**32 956 597**	**26 559 515**	**8 639 355**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Machinery and Equipment	3 370 265	(2 001 147)	1 369 118	3 251 385	(1 673 368)	1 578 017
Furniture and fixtures	4 925 976	(3 244 785)	1 681 191	4 512 503	(2 893 577)	1 618 926
Motor vehicles	4 277 282	(2 168 420)	2 108 862	5 168 890	(2 258 799)	2 910 091
IT equipment	14 700 456	(9 776 200)	4 924 256	14 429 997	(8 042 250)	6 387 747
Total	**27 273 979**	**(17 190 552)**	**10 083 427**	**27 362 775**	**(14 867 994)**	**12 494 781**

Reconciliation of property, plant and equipment - 2021

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Machinery and Equipment	1 578 017	118 880	-	(327 779)	1 369 118
Furniture and fixtures	1 618 926	413 473	-	(351 208)	1 681 191
Motor vehicles	2 910 091	-	(141 261)	(659 968)	2 108 862
IT equipment	6 387 747	270 459	-	(1 733 950)	4 924 256
	12 494 781	**802 812**	**(141 261)**	**(3 072 905)**	**10 083 427**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Machinery and Equipment	1 107 347	785 999	-	(315 329)	1 578 017
Furniture and fixtures	1 949 325	23 575	-	(353 974)	1 618 926
Motor vehicles	2 540 212	1 154 365	-	(784 486)	2 910 091
IT equipment	7 031 788	1 414 964	(408 068)	(1 650 937)	6 387 747
	12 628 672	**3 378 903**	**(408 068)**	**(3 104 726)**	**12 494 781**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Property, plant and equipment (continued)

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

8. Other information

	2021	2020
Repairs and maintenance to Property, plant and equipment		
Machinery and Equipment	113 000	-
Furniture & fixtures	17 960	-
Motor vehicles	75 486	-
	206 446	**-**

9. Intangible assets

	2021			2020		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	5 041 208	(4 547 535)	493 673	5 041 208	(4 332 548)	708 660

Reconciliation of intangible assets - 2021

	Opening balance	**Amortisation**	**Total**
Computer software, other	708 660	(214 987)	493 673

Reconciliation of intangible assets - 2020

	Opening balance	**Disposals**	**Amortisation**	**Total**
Computer software, other	1 876 282	(353 302)	(814 320)	708 660

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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Payables from exchange transactions

Trade payables	8 116 360	13 552 853
Accrued leave pay	7 670 859	7 034 152
Accrued bonus	1 332 919	1 323 152
UIF over deducted from employees	193 496	193 496
Councillors salaries under payments	6 637	6 637
	17 320 271	**22 110 290**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	-	578
Rural Roads Assets Management System Grant	910 202	179 344
Energy Efficiency Demand-Side Management Grant	-	80 000
	910 202	**259 922**

Movement during the year		
Balance at the beginning of the year	259 922	100
Additions during the year	9 574 000	14 029 000
Income recognition during the year	(8 923 720)	(13 769 178)
	910 202	**259 922**

The nature and extent of government grants and their conditions, restrictions and other contingencies attached to these government grants have to be fulfilled and hence recognised in the annual financial statements as conditional grants

See note 13 for reconciliation of grants from National/Provincial Government.

12. Employee benefit obligation

Reconciliation of employee benefit obligation - 2021

	Opening Balance	Change in discount factor	Total
Employee benefit obligation - current	260 000	604 389	864 389
Employee benefit obligation - non-current	8 627 000	1 624 000	10 251 000
	8 887 000	**2 228 389**	**11 115 389**

Reconciliation of employee benefit obligation - 2020

	Opening Balance	Change in discount factor	Total
Employee benefit obligation - current	434 000	(174 000)	260 000
Employee benefit obligation - non-current	8 782 000	(155 000)	8 627 000
	9 216 000	**(329 000)**	**8 887 000**

Long service awards

Valuation method

The Projected Unit Credit Method is used to determined the present value of the defined benefit obligation.

The defined benefit obligation

The defined benefit liability as disclosed below are represented by two different post-employment benefits. None of the benefits set out below are externally funded.

Post-retirement medical aid plan Active members receive a fixed subsidy of 70% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 70% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member’s death.

Continuation members receive a fixed subsidy of 70% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 70% subsidy of their contributions.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Employee benefit obligation (continued)

The amount recognised in the statement of financial position are as follows for 2021:

	Long-service leave benefits	Post-retirement health care benefits	Total
Balance as at 30 June 2021	(3 429 000)	(5 458 000)	(8 887 000)
Current service	(382 000)	(122 000)	(504 000)
Interest cost	(426 000)	(662 000)	(1 088 000)
Actuarial (loss) - experience variance	(581 000)	(283 000)	(864 000)
Benefits payments	122 997	104 614	227 611
	(4 695 003)	**(6 420 386)**	**(11 115 389)**

The amount recognised in the statement of financial position are as follows for 2020:

	Long-service leave benefits	Post-retirement health care benefits	Total
Balance as at 30 June 2020	(3 210 000)	(6 006 000)	(9 216 000)
Current service	(413 000)	(157 000)	(570 000)
Interest cost	(303 000)	(595 000)	(898 000)
Actuarial (loss) - experience variance	227 000	1 130 000	1 357 000
Benefits payments	270 000	170 000	440 000
	(3 429 000)	**(5 458 000)**	**(8 887 000)**

Notes to the Annual Financial Statements

12. Employee benefit obligation (continued)

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
“The discount rate that reflects the time value of money is best approximated by 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, an entity 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.”

The nominal and real zero curves as at 30 June 2021 supplied by the JSE were used to determine our discount rates and CPI assumptions at each relevant time period For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Membership Data
Key features of the membership data used in the valuation of post-retirement healthcare subsidy are summarised below:

Current employees	2021	2020
- Number of current employees		
Males	5	5
Females	1	1
- Average age of employees		
Males	61.7	60,6
Females	55.0	54,0
- Average years of past service		
Male	29,9	27,6
Female	22.7	21,7
- Average total monthly premium of Principal members (R)		
Male	R 5, 280	R 5,000
Female	R 2, 120	R 2,020
- Average total monthly premium of Adult dependants (R)		
Male	R -	R -
Female	R -	R -

Continuation members		
- Number of continuation members		
Male	1	1
Female	2	2
-Average age of continuation members		
Male	78,1	77,1
Female	69,0	68,0
- Actual percentage married		
Male	100%	100%
Female	0%	0%
- Average total monthly premium of Principal members (R)		
Male	R 5, 440	R 5,180
Female	R 3, 950	R 3,810
- Average total monthly premium of Adult dependants (R)		
Male	R -	R -
Female	R -	R -

Breakdown of Defined Benefit Obligation

Notes to the Annual Financial Statements

12. Employee benefit obligation (continued)

The table below provides a breakdown of the defined benefit obligation between active and continuation members as at the current and previous valuation dates:

Breakdown of defined benefit obligation (R'000)	30 June 2021	30 June 2020	30 June 2019
Active members	4 693	3 887	4 263
Continuation members	1 654	1 571	1 743
	6 347	**5 458**	**6 006**

Post-retirement healthcare subsidy sensitivities

The value of the liabilities is particularly sensitive to the assumed rate of healthcare cost inflation. The table below sets out the sensitivity of the valuation result to a 1% increase and 1% decrease in the assumed healthcare cost of inflation assumption.

This is regarded as important management information. The GRAP 25 accounting standard also requires this sensitivity to be disclosed in the annual financial statement.

Healthcare cost inflation sensitivity (R'000)	1% decrease	Base	1% increase
Defined benefit obligation	(5 757)	(6 347)	(7 030)
Service cost (next financial year)	(607)	(670)	(744)
Interest cost (next financial year)	(87)	(98)	(111)
	(6 451)	**(7 115)**	**(7 885)**

Assumptions used

The economic assumptions for the 30 June 2021 valuation are shown in the table below, and compared to those used for the respective roll-back valuations.

Long service awards sensitivities (R'000)	1% decrease	Base	1% increase
Total accrued liability	(4 495)	(4 770)	(5 072)
Current service cost	(491)	(524)	(562)
Interest cost	(504)	(535)	(570)
	(5 490)	**(5 829)**	**(6 204)**

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by 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, an entity 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.” .

*Statement of Financial Position (herein referred to as the “balance sheet”).

We use the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

12. Employee benefit obligation (continued)

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2021 of 6.25%. The next salary increase was assumed to take place on 01 July 2022.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Bond	2021 Promotional Increase %	2020 Promotional Increase %
20 - 24	5	5
25 - 29	4	4
30 - 34	3	3
35 - 39	2	2
40 - 44	1	1
	-	-

Healthcare cost inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

Demographic assumptions

This section contains the demographic assumptions used in the valuation. The mortality tables used have not been presented, as they are standard tables, which are widely used.

The demographic assumptions for the 30 June 2021 valuation and compared to those used for the previous valuations are shown in the tables below.

Summary of key demographic assumptions	30 June 2020 & 2021
Pre-retirement mortality	SA85-90 L rated down 1 year for males and females
Post-retirement mortality	PA(90) rated down 1 year for males and females plus 1% future mortality improvement from 2010
Withdrawal	See rationale for demographic assumption below
Expected retirement age	65 years for males and females
Percentage married for in-service members	See rationale for demographic assumption below

Notes to the Annual Financial Statements

12. Employee benefit obligation (continued)

Spouse and principal member age difference	Males 5 years older than females
Employees' continuation percentage at retirement	90.00%
Percentage of widows continuing membership	10.00%

Rationale for demographic assumptions

For many of the demographic assumptions, particularly mortality rates, the small size of the membership precludes the use of assumptions based on past experience of the particular scheme. Thus, assumptions are set which are consistent with market practice and with investigations performed where there is a significant amount of data.

Pre-retirement mortality

The pre-retirement mortality table most commonly used in the retirement industry (for similar sub-populations in South Africa) is SA 85-90 (Light). However, given apparent improvements in mortality with active members living longer, we have rated the SA 85-90 (Light) table down by one year for both males and females. This means that the mortality rate assumed for an individual in the valuation is the rate provided in the table for an individual at age one year younger.

Post-retirement mortality

PA (90) is commonly used in the retirement industry. However, given the fact that pensioners are living longer than at the time the table was compiled, we have rated the PA (90) table down by one year for both males and females. This means that the mortality rate assumed for an individual in the valuation is the rate provided in the table for an individual one year younger.

There is a strong argument for inclusion of mortality improvements in the assumption (1.00% to 1.50% p.a. at all ages would be reasonable), given the improvements that have occurred at the post-retirement ages in most developed countries over the past forty years, as well as the evidence of improvements observed by larger actuarial service providers in South Africa. We therefore included a 1% per annum mortality improvement factor from 2010 onwards.

Withdrawal assumption

In the absence of credible past withdrawal data of this particular scheme, the withdrawal assumptions have been set in line with those generally observed in the South African market.

The table below shows the annual withdrawal rates for the valuation, differentiated by age.

Withdrawal assumption age	Males	Females
20 - 24	16,00%	24,00%
25 - 29	12,00%	18,00%
30 - 34	10,00%	15,00%
35 - 39	8,00%	10,00%
40 - 44	6,00%	6,00%
45 - 49	4,00%	4,00%
50 - 54	2,00%	2,00%
55 - 59	1,00%	1,00%
60+	0,00%	0,00%

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Employee benefit obligation (continued)

Assumed retirement age

The assumed retirement age of 63 years for current employees is based on the normal retirement age of the employer of 65 years for all employees, including allowance for ill-health and early retirements. This assumption is in respect of both males and females.

Spouse and principal member age difference

We have assumed that males are 5 years older than females for active and continuation members.

Typically, the actual age of continuation members’ spouses would be used in valuations, although this detail could not be provided by the employer, and thus the above assumption was applied.

Child dependants

No value has been placed on benefits payable to child dependants. The impact is likely to be immaterial and not allowing for child dependants is generally applied by other actuaries in the market place

Percentage married assumption

We have assumed that 90% of all active members (both male and female), will be married at retirement, whereas actual marital status was used for continuation members.

13. Government grants and subsidies

Operating grants		
Equitable share	131 302 000	115 593 100
Financial Management Grant	2 000 000	1 784 422
Expanded Public Works Programme Integrated Grant	2 648 000	1 696 000
Rural Roads Assets Management System Grant	1 515 798	2 368 656
Local Government Sector Education and Training Authority Grant	114 928	132 760
Energy Efficiency and Demand Side Management Grant	4 500 000	7 920 000
Covid - 19 support grant	-	149 000
	142 080 726	**129 643 938**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	10 778 726	13 769 078
Unconditional grants received	131 302 000	115 874 860
	142 080 726	**129 643 938**

Equitable Share

Current-year receipts	131 302 000	115 593 000
Conditions met - transferred to revenue	(131 042 000)	(115 593 100)
Prior year unspent conditional grant liability withheld	(260 000)	100
	-	-

This grant is used by the municipality, mainly to fund its operational activities.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Government grants and subsidies (continued)

Rural Roads Assets Management System Grant

Balance unspent at beginning of year	179 344	-
Current-year receipts	2 426 000	2 548 000
Conditions met - transferred to revenue	(1 515 798)	(2 368 656)
Prior year unspent conditional grant withheld	(179 344)	-
	910 202	**179 344**

The purpose of the grant is for the provision of systems to collect rural road, traffic data and rural access of bridges.

Expanded Public Works Programme Integrated Grant

Current-year receipts	2 648 000	1 696 000
Conditions met - transferred to revenue	(2 648 000)	(1 696 000)
	-	**-**

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximized.

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	80 000	-
Current-year receipts	4 500 000	8 000 000
Conditions met - transferred to revenue	(4 500 000)	(7 920 000)
Prior year unspent conditional grant withheld	(80 000)	-
	-	**80 000**

This grant is used to implement EEDSM initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency

Local Government Sector Education and Training Authority Grant

Current-year receipts	114 928	132 760
Conditions met - transferred to revenue	(114 928)	(132 760)
	-	**-**

The purpose of the grant is to improve the effectiveness and efficiency of the skills development through provision of bursaries and promotion and support of theoretical learning with workplace training.

Financial Management Grant (FMG)

Balance unspent at beginning of year	578	-
Current-year receipts	2 000 000	1 785 000
Conditions met - transferred to revenue	(2 000 000)	(1 784 422)
Unspent conditional grant withheld	(578)	(578)
	-	**-**

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA

Covid-19 grant

Current-year receipts	-	149 000
Conditions met - transferred to revenue	-	(149 000)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Government grants and subsidies (continued)

	-	-

The purpose of the grant is to provide additional access to basic services for vulnerable communities during the lockdown and to sanitize public transport facilities.

In the current financial year the grant is included in the Equitable share.

14. Other Transfer revenue

Transport Education and Training Authority	-	224 295

15. Interest received - investments

Interest revenue		
Bank	1 782 959	2 581 477

16. Service in Kind revenue

The building that TMDM operates in is owned but the Department of Public Works and the department paid the expenses below on behalf of the Municipality. The services in kind are as follows;

	5 298 479	4 883 391

Basis on which the fair value has been measured has considered fact that the service in kind is received from Department of Public Works and the department does not have to comply with GRAP they are on Cash payments basis and have only valued the buildings in 2013 financial period with the inclusion that yearly escalations are between 7,5% to 8,5

17. Sundry income

Tender documents	111 450	14 500
Other income	141 886	109 161
	253 336	**123 661**

18. Depreciation and amortisation

Property, plant and equipment	3 072 905	3 104 727
Intangible assets	214 987	814 320
	3 287 892	**3 919 047**

19. Finance costs

Penalties paid	-	1 406
Interest paid	-	48 333
Actuarial interest costs	1 088 000	898 000
	1 088 000	**947 739**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
20. Operational expenses		
Advertising	994 407	463 142
Auditors remuneration	2 521 938	2 479 975
Awareness campaign -Energy efficiency programme	37 200	69 565
Bank charges	156 416	204 592
Bursary fund	1 130 856	947 620
Cleaning and consumables	38 882	294 547
Catering	1 257 332	885 774
Disaster intervention	-	17 574
Disastser management center system	-	957 283
Disaster recovery services	500 000	-
District audit committee	224 077	219 159
District Development Model	275 000	-
Donations	-	107 490
Electricity	1 113 789	2 892 037
Events management	1 352 031	251 192
ICT and programming	-	-
Internet services	827 823	512 813
Installation of energy efficient lights	3 443 478	4 869 565
Insurance	483 337	266 501
IT infrastructure support & maintenance	10 257	135 000
Legal Fees	3 267 622	7 688 429
Magazines, books and periodicals	202 060	377 663
MFMA programme - mSCOA expense	-	953 706
Motor vehicle expenses	1 625 500	889 034
Operating lease (Equitpment rental)	921 481	-
Personal Protective Equipment, sanitizers and sanitizer stands	864 481	681 149
Poverty alleviation expense - food security expense	-	443 761
Printing and stationery	448 111	1 680 062
Repairs and maintenance	1 141 137	362 795
Rural community support	7 072	536 294
RRAMS Programme - Disbursement expenses	878 145	-
Sampling of food and water	209 366	206 068
Service in kind expenditure (Rental expense)	5 298 479	4 883 391
Software and licenses	2 133 292	785 301
Subscriptions and membership fees	932 132	1 026 313
SMME Development	999 999	-
Sports development programme	-	168 719
Telephone and fax	1 843 184	493 263
Training	393 132	533 040
Transport	808 410	1 449 770
Travel and subsistence	880 972	2 907 112
Uniform and protective clothing	65 500	67 613
Youth development programme - Entrepreneur support	7 050	-
	37 293 948	**41 707 312**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

21. Remuneration related cost

Acting allowances	167 233	422 747
Basic	52 637 694	44 736 014
Bargaining council levies	883 647	14 922
Bonus	3 404 563	3 057 969
Car allowance	9 667 443	7 136 920
Cell phone allowance	647 200	464 900
Current service costs	504 000	570 000
EPWP Wages	2 855 532	1 695 965
Housing benefits and allowances	359 231	351 757
Leave redemption and provision	1 623 215	1 771 439
Medical aid - company contributions	4 569 248	4 145 140
Overtime payments	346 597	564 039
Pension fund contributions	7 092 745	6 487 548
Performance bonus	-	1 130 018
SDL	664 437	750 551
UIF	239 187	213 918
	85 661 972	**73 513 847**

Remuneration of Accounting Officer - Ms. TPM Lebenya

Annual Remuneration	1 135 969	1 135 969
Car allowance	250 668	250 668
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Travel, motor car, accommodation, subsistence and other allowance	3 796	82 471
Cell phone allowance	23 000	18 000
Performance bonus	-	477 188
	1 415 218	**1 966 081**

Ms. Lebenya's term ended 31 July 2017 and she was appointed from 1 December 2017 to 30 November 2022.

Remuneration of Executive Manager Corporate Service - Mr. SK Khote

Annual Remuneration	947 863	957 916
Car allowance	185 600	185 600
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Travel, motor car, accommodation, subsistence and other allowance	1 902	23 667
Cell phone allowance	18 400	14 400
Performance bonus	-	424 251
	1 155 550	**1 607 619**

Mr. Khote's term ended 31 August 2017 and he was appointed from 1 December 2017 to 30 November 2022.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

21. Remuneration related cost (continued)

Remuneration of Director Community Services - Mr. S Lengoabala

Annual Remuneration	770 327	256 776
Car allowance	210 000	70 000
Travel, motor car, accommodation, subsistence and other allowance	9 541	-
Contributions to UIF, Medical and Pension Funds	1 785	595
Housing allowance	60 000	20 000
Cell phone allowance	18 400	4 800
	1 070 053	**352 171**

Mr. Lengoabala was appointed on the 01 March 2020 to 28 February 2025.

Remuneration of Chief Financial Officer - Ms. NL Gqoli

Annual Remuneration	778 148	740 455
Car allowance	207 797	147 797
Contributions to UIF, Medical and Pension Funds	46 609	113 502
Travel, motor car, accommodation, subsistence and other allowance	8 345	56 218
Cell phone allowance	18 400	14 400
Housing allowance	-	60 000
Annual bonus	67 171	52 428
Performance bonus	-	228 578
	1 126 470	**1 413 378**

Ms. Gqoli was appointed as the Chief Financial Officer from 1 February 2018 to the 31 January 2023.

Remuneration of councillors

Executive Mayor - Ms. M Vilakazi	941 720	1 014 557
Chief Whip - Mrs. SJ Mbiwe	730 033	777 486
Speaker - Mr. MS Maduna	755 878	765 554
Chairperson MPAC - Mr. M M Twala	368 376	367 851
Mayoral Committee Members	5 815 556	5 997 224
Councillors	3 069 701	2 961 458
	11 681 264	**11 884 130**

Exec. Mayor, Speaker, Chief Whip and MPAC Chairperson	**Basic salary**	**Travel, motor car and other allowance**	**Cell phone allowance**	**Pension and medical aid**	**Backpay on upper limits**	**Total**
Ms. M Vilakazi	868 377	-	40 800	32 543	-	941 720
Mrs. SJ Mbiwe	459 209	180 621	40 800	49 403	-	730 033
Mr. MS Maduna	497 632	178 770	40 800	38 676	-	755 878
Mr. M M Twala	275 888	92 488	-	-	-	368 376
Subtotal	2 101 106	451 879	122 400	120 622	-	2 796 007
	2 101 106	**451 879**	**122 400**	**120 622**	**-**	**2 796 007**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

21. Remuneration related cost (continued)

Mayoral committee members	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Pension and medical aid	Backpay on upper limits	Total
Cllr. G Bengell	402 279	189 445	40 800	101 073	-	733 597
Cllr. K Tsoene	378 008	239 097	40 800	125 830	-	783 735
Cllr. TI Mkhwanazi	502 790	188 465	40 800	-	-	732 055
Cllr. J Radebe	377 655	228 452	40 800	126 194	-	773 101
Cllr. M Mamba	428 808	280 535	40 800	120 103	-	870 246
Cllr. SM Visagie	385 863	213 741	40 800	117 820	-	758 224
Cllr. ND Mofokeng	262 644	121 987	-	28 555	-	413 186
Cllr. TJ Tshabalala	458 380	206 930	40 800	45 302	-	751 412
Subtotal	3 196 427	1 668 652	285 600	664 877	-	5 815 556
	3 196 427	**1 668 652**	**285 600**	**664 877**	**-**	**5 815 556**

	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Pension and medical aid	Sitting allowance	Total
Other councillors	1 794 701	679 436	340 200	61 198	194 166	3 069 701
Subtotal	1 794 701	679 436	340 200	61 198	194 166	3 069 701
	1 794 701	**679 436**	**340 200**	**61 198**	**194 166**	**3 069 701**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip, MPAC Chairperson and Mayoral Committee Members are full-time councillors. The Executive Mayor, Speaker, Chief Whip and MPAC Chairperson are provided with offices and secretarial support at the cost of the Council. The Mayoral Committee Members are provided with pool secretarial support and offices at the cost of council.

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

The Executive Mayor has a full-time driver / bodyguard.

22. Cash (used in) generated from operation

	2021	2020
Surplus	9 286 539	3 097 383
Adjustments for:		
Depreciation and amortisation	3 287 892	3 919 047
Loss on disposal of intangible assets	-	353 302
Finance costs	1 088 000	-
Movements in provisions	2 228 389	-
Actuarial gain/loss	864 000	(1 357 000)
Gain / loss on sale of assets and liabilities	(63 458)	401 814
Interest received	(1 782 959)	-
Gains on debt impairment provision adjustment	(114 877)	-
Changes in working capital:		
Receivables from exchange transactions	(1 162 272)	477 632
Receivables from non-exchange transactions	2 054 351	-
Payables from exchange transactions	(8 555 563)	15 094 271
VAT	-	(1 314 185)
Unspent conditional grants and receipts	-	259 822
	7 130 042	**20 932 086**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Financial liability by category

The accounting policies for financial instruments have been applied to the column items below:

2021	Financial liabilities at amortised cost	Total
Payables from exchange transactions	17 320 271	17 320 271

2020	Financial liabilities at amortised cost	Total
Payables from exchange transactions	22 110 290	22 110 290

24. CETA agency fees

	2021	2020
Commission income [Agency services (CETA)]	2 213 571	1 113 850

The municipality, as an agent, does not recognise revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

The municipality received an aggregate amount of R23 449 110.42, TMDM paid due stipends to the learners in accordance with the binding arrangement with CETA and revenue was recognised subsequent to payment of learner stipents amounting to R2 213 571 consisting of administration and rural allowance

The municiplaity did not have liability held on behalf of learner stipends as at 30 June 2021, there is not corresponding reimbursement for year under review.

25. Contingencies

	2021	2020
Sibeko attorneys vs LQ Technologies	-	200 000

Finance lease agrement dispute

	2021	2020
Maluti-A-Phofung seconded Councillors vs Thabo Mofutsanyana	5 497 850	-

Civil claim for unpaid salaries

	2021	2020
Podbeilski Mhlambi Attorneys vs Thabo Mofutsanyana	36 423 638	36 423 638

Matter is being defended. Matter pending in Bloemfontein High Court

	2021	2020
DW Wessels and 6 others vs Thabo Mofutsanyana	4 432 501	3 500 000

Matter is being defended. Matter pending in Bloemfontein High Court.

Notes to the Annual Financial Statements

Figures in Rand		2021	2020

25. Contingencies (continued)

Name of employee	Effective date		
Ngobese Malefu	22/03/2006	17 000	17 000
Moloi Khesa	25/05/2005	17 000	17 000
Moloi Materonko	08/10/2002	13 000	13 000
Motloung Sylvia	30/01/2007	17 000	17 000
Mthombeni Sthembiso	01/10/2004	14 000	14 000
Mani Koahela	01/07/2009	17 000	17 000
		95 000	**95 000**

26. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:
- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality.

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

The related party transactions for the current financial year were with key management personnel. Refer to Note 21 for detailed disclosure of remuneration.

27. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the entity maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

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

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly.

At 30 June 2021	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	8 116 360	-	-	-

At 30 June 2020	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	13 552 853	-	-	-

Credit risk

Figures in Rand	2021	2020

27. Risk management (continued)

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.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

Financial assets which exposed the economic entity to credit risk at year end were as follows:

Financial instrument	2021	2020
ABSA Bank - Cheque account	1 767 473	9 948 632
ABSA Bank - Liquidity plus	-	34 688
ABSA Bank - Fixed deposit 1	-	42 810
ABSA Bank - Fixed deposit 2	3 068 236	2 962 671
ABSA Bank - Fixed deposit 3	1 505 126	8 309 779
ABSA Bank - Fixed deposit 4	5 775 068	5 260 935
Nedbank - Fixed deposit	20 840 694	-
Receivables from exchange transactions	4 811 058	4 037 861
Receivables from non-exchange transactions	2 156 134	4 008

The entity is exposed to a number of guarantees for housing loans of employees.

The balances represent the maximum exposure to credit risk.

Receivables from exchange and non-exchange transactions

The ageing of receivables from exchange and non-exchange at the reporting date:		
0 to 3 months	2 846 867	1 572 249
3 to 6 months	-	-
Over 6 months	7 647 244	6 810 195
Less: Provision for Impairment	(3 526 919)	(3 641 796)
	6 967 192	**4 740 648**

The movement in the allowance for impairment in respect of receivables from exchange and non-exchange over the year was:

Balance at the beginning of the year	3 641 796	3 641 796
Adjustments for impairment	(114 877)	-
	3 526 919	**3 641 796**

The allowance for impairment in respect of receivables from exchange and non-exchange is used to record impairment losses until the municipality is satisfied that no recovery of the amount owing is possible

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Risk management (continued)

Market risk

Cash flow and fair value interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in an amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, receivables and bank and cash balances. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The financial assets are based on the interest rate provided by the banks at the reporting date. As the municipality,we are not exposed to volility of the market risk/ interest rate like the corporate is exposed. our investments in the banks are based on a solid interest rate agreed prior investment.

During 2020 and 2021, the municipality's borrowings and investments at variable rates were denominated in Rand.

28. Going concern

The 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.

During the year ended 30 June 2021, the municipality incurred a surplus of R 9 286 539 and the municipality's total assets exceed its total liabilities by R 21 155 027, in addition the municipality has a possible obligation of R46.5 million pending the court ruling as disclosed in note 25. These conditions and events do not cast doubt on the municipality’s ability to continue as a going concern.

29. Events after the reporting date

Events that are indicative of conditions that arose after the reporting period are non-adjusting events. They are not reflected in the recognition / recording or measurement of items in the financial statements but require disclosure when material.

The impact of the 2021 Local Government Elections (LGE2021) is currently non-adjusting but will have an impact in future Annual Financial Statement in that there will possibly be changes in Leadership and Leadership Structure, inevitably to affect the enabling legislations and related regulations

Donated assets, both moveable and immovable, at Kgosatsana Manapo Mopeli Water Laboratory, in Kestell)

A pending disposal of equipment and other assets in the near future.

30. Unauthorised expenditure

Opening balance as previously reported	4 884 813	617 294
Opening balance as restated	**4 884 813**	**617 294**
Add: Unauthorized Expenditure - current period	-	4 267 519
Less: Amount written off - prior period	(617 294)	-
Closing balance	**4 267 519**	**4 884 813**

A Municipal Public Accountant Committee is to convene to analyse and review the findings on unauthorised expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to condone or recover the unauthorised expenditure as stated above as waiting to be condoned.

31. Irregular expenditure

31. Irregular expenditure (continued)

	2021	2020
Opening balance as previously reported	32 093 340	7 586 298
Opening balance as restated	**32 093 340**	**7 586 298**
Add: Irregular Expenditure - current period	16 920 949	24 507 042
Less: Amount written off - current	(15 505 716)	-
Closing balance	**33 508 573**	**32 093 340**

Management has performed a review of transactions and identified transactions which did not comply with SCM Regulation, expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-bearers Act to be irregular expenditure in accordance to the guidelines set per Chapter 1 of the MFMA.

A Municipal Public Accountant Committee is to convene to analyse and review the findings on irregular expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to write off or recover the irregular expenditure as stated above as waiting to be condoned

The figures reported above are exclusive of VAT and the full extent of the irregular expenditure is still under investigation.

Irregular expenditure arising from:

	2021	2020
Three quotations not sourced	1 052 271	654 264
BBEE not considered on PPPF	1 659 863	593 027
Bid adjudicated by committee not in line with the regulation	704 273	6 965 078
Evaluation criteria changed	57 773	2 103 339
Expansion or variation of orders against the original contract not approved	3 115 812	1 916 019
No declaration if interest obtained	384 077	-
Regulation 32 contract not the same	401 665	8 227 389
Valid contract not in place	-	1 515 180
Competitive bidding not followed	9 545 215	2 532 747
	16 920 949	**24 507 043**

32. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	377 976	328 237
Opening balance as restated	**377 976**	**328 237**
Add: Fruitless Expenditure - penalties and interest from prior year	3 626	49 739
Less: Amount written off - current	(329 643)	-
Closing balance	**51 959**	**377 976**

Municipal Public Accounts Committee is to convene to analyse and review the findings on fruitless and wasteful expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to condone or recover the fruitless and wasteful expenditure as stated above as waiting to be condoned.

33. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2021	2020
Current year subscription / fee	878 109	956 706
Amount paid - current year	(878 109)	(956 706)
	-	-

Audit fees

	2021	2020
Opening balance	-	80 399
Current year subscription / fee	2 521 938	2 399 576
Amount paid - current year	(2 521 938)	(2 479 975)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

PAYE, SDL and UIF

Current year subscription / fee	18 511 746	15 131 843
Amount paid - current year	(18 511 746)	(15 131 843)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	12 481 969	17 492 964
Amount paid - current year	(12 481 969)	(17 492 964)
	-	-

VAT

VAT receivable	4 065 203	3 404 449

34. Municipal office occupation

The municipal head office situated at 1 Mampoi Street, Old parliament Building, Witsieshoek. The building is leased from Free State Department of Public Works for no rental consideration.

35. Contracted services

Professional fees on Grant expenditure	909 505	4 041 401
System support consultancy	1 718 659	-

36. Revenue

Agency services (CETA)	2 213 571	1 113 850
Interest received - investment	1 782 959	2 581 477
Service in Kind revenue	5 298 479	4 883 391
Government grants & subsidies	142 080 726	129 643 938
Other transfer revenue	-	224 295
Gain on disposal of assets	63 458	-
	151 439 193	**138 446 951**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Agency services (CETA)	2 213 571	1 113 850
Interest received - investment	1 782 959	2 581 477
	3 996 530	**3 695 327**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Service in Kind revenue	5 298 479	4 883 391
Transfer revenue		
Government grants & subsidies	142 080 726	129 643 938
Other transfer revenue	-	224 295

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Sundry income

Recoveries (gains on impairment provision adjustment)	114 877	-
Sundry income	253 336	123 661
	368 213	**123 661**

38. Auditors' remuneration

Fees	2 521 938	2 479 975

39. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	15 627	61 636

40. Budget differences

Material differences between budget and actual amounts (Reasons provided in cases where the difference exceeds 10%)

40.1. Agency services (CETA) - The budgeted amount is higher than the actual due to the decrease in the number of projects

40.2. Sundry income – The budgeted amount is less the actual due to the LG SETA grant and medical aid refunds that were not projected for.

40.3. Interest investment - variance is less than 10%, no reason required.

40.4. Depreciation non cash revenue - increase in property, plant and equipment warrants a higher depreciation cost for the year.

40.5. Service in kind revenue - variance is less than 10%, no reason required. .

40.6 Government grants and subsidies - variance is less than 10%, no reason required.

40.7 Employee related costs - variance is less than 10%, no reason required.

40.8 Remuneration of councillors - variance is less than 10%, no reason required.

40.9. Depreciation and Amortisation – increase in property, plant and equipment warrants a higher depreciation cost for the year

40.10 Finance cost - allocation made to cater for unforeseen finance cost which we could not project at the beginning of the financial year.

40.11. Lease rentals on operating lease - variance is less than 10%, no reason required..

40.12. Contracted Services – The budgeted amount is higher than the actual amount due to different classification between GRAP and mSCOA..

40.13. Operating Expenses - The operating expenses indicate a decrease against the final budget due to the Covid 19 pandemic which resulted in most SDBIP approved projects not being executed .

40.14. Receivable from exchange transactions – The Actual amount against the final budget indicates a decrease due to repayments received from long outstanding debtors.

40.15 Receivable from non-exchange transaction - provision for CETA from the principal-agent arrangement.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Budget differences (continued)

40.16. VAT receivable – The VAT receivable over the final budget indicates an increase due to the VAT refunds for the period June 2021 still outstanding from South African Revenue Services.

41.17. Cash and Cash Equivalents – Higher cash and cash equivalent actual against the budget is due higher capital investment made during year due to the covid-19 pandemic.

40.18. Property plant and equipment – The actual PPE indicates an increase against the final budget due to additions to Machinery and Equipment made during the year.

40.19. Intangible assets – A decrease due to software that is amortized.

40.20. Payables from exchange transactions – delay by service providers in submission of outstanding vouchers as at year end.

40.21. Unspent conditional grants and receipts - Commitment made for the Conditional Grants not spent at year end due to Covid-19 pandemic.

40.22 Provisions - employee benefit obligation. The future medical aid liability and long service bonus budgeter for was lower than the laibility calculated by actuaries at year end, an adjustment to the budget was made to cover the full extent of the liability. However, the revised estimation is only done at year-end.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Prior period errors

41.1. Receivables from exchange transactions

A receivable was erroneously over deducted in the prior year and therefore needs to be raised to rectify the error.

The correction of the error resulted in adjustment as follows;

Statement of Financial Position (30 June 2020)		
Increase in retained earnings	-	91 125

Statement of Financial Position (30 June 2020)		
Decrease in receivables from exchange transactions	-	(91 125)

41.2. Employee related cost

Restatement prior year employee related costs due to misallocation of sitting allowance expenditure

The impact is as follows:

Statement of Financial Performance (30 June 2020)		
Decrease in Employee related costs	-	(102 940)

Statement of Financial Performance (30 June 2020)		
Increase in Councillors Remuneration	-	102 940

41.3 Payables from exchange transactions.

Correction of accrued leave pay provision to include employees erroneously excluded in prior year's provision calculation leads to the following impact on the financials:

Statement of Financial Position (30 June 2020)		
Increase in Trade payables	-	180 256

Statement of Financial Performance (30 June 2020)		
Increase in employee related costs	-	180 256

41.4. Receivables from exchange transactions.

A receivable was erroneously raised in the prior year and therefore needs to be decreased to rectify the error.
The correction of the error resulted in adjustment as follows;

Statement of Financial Position (30 June 2020)		
Receivables from exchange transactions	-	(698 779)

Statement of Financial Performance (30 June 2020)		
Commission income (CETA Agency fees)	-	(698 779)

41.5. Property, plant and equipment and Intangible assets re-assessment.

Reassessment of prior period property, plant and equipment and intangible assets resulted in changes which impacted the financials in the following manner:

Statement of Financial Performance (30 June 2020)		
Depreciation and amortization	-	682 710
Loss on disposal of assets	-	353 303
	-	**1 036 013**

Figures in Rand	2021	2020

41. Prior period errors (continued)

	2021	2020
Statement of Financial Position (30 June 2020)		
Property, plant and equipment - Carrying amount	-	5 621 885
Intangible asset - Cost	-	(2 333 500)
Intangible asset - Accumulated amotization	-	1 980 197
	-	**5 268 582**

41.6. Payables from exchange transactions

Reversal of duplicated payables.

The impact is as follows:

	2021	2020
Statement of Financial Performance (30 June 2020)		
Increase in Employee related costs	-	155 236

	2021	2020
Statement of Financial Position (30 June 2020)		
Decrease in Trade payables	-	3 765 544

42. Deviatons - Current year

Deviations from normal supply chain procedures.

Category	Supplier	Amount
Price: R2 000 to R10 000	Mookodi Press	10 000
	Dihlabeng FM	8 000
Price: R10 000 to R30 000	Phethoho News	25 720
	QwaQwa Radio	30 000
	Setsoto Radio	20 000
Price: R30 000 and above	The Guard	38 600
	SABC: Lesedi FM	90 140
	Eskom	44 906
	SABC: Lesedi FM	108 614
	Ramosena Electrical Construction	127 000
		502 980

43. Segment reporting

Segmental information on property, plant and equipment, as well as income and expenditure, is set out based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board. The jurisdiction of Thabo Mofutsanyana District Municipality comprises of the following local municipalities, Maluti-A-Phofung Local Municipality, Dihlabeng Local Municipality, Setsoto Local Municipality, Mantsopa Local Municipality, Nketoana Local Municipality and Phumelela Local Municipality.

Thabo Mofutsanyana District Municipality in the year under review does not have a reportable segment that generates economic benefits or service potential, Laboratory based in Maluti -A- Phofung Local Municipality donated to the District Municipality is only subsequent non-adjusting event in the period under review.

Results of the Laboratory will be regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance and Laboratory will have separate financial information available.