

Lesedi Local Municipality

(Registration number GT423)

Annual Financial Statements for the year ended 30 June 2021



Lesedi Local Municipality
(Registration number GT423)
Annual Financial Statements
for the year ended 30 June 2021

* See Note

Lesedi Local Municipality

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General Information

Legal form of entity	Municipality Municipal demarcation code - GT423
Nature of business and principal activities	Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996)
Members of Council	
Executive Mayor	MNR Nkosi
Speaker	MV Motsepe
Mayoral Committee	ZS Twala T Motsepe TS Moremi MK Rakitla TE Ramothibe
Councillors	TJ Gama MS Malefela HACS Paul RS Hlatshwayo MP Mtshonyane TP Nyembe BV Mogorosi MI Abdullah MA Mulder JM Sabasaba NE Cindi M Boshoff PR Mnchunu LS Gamede GC Holzhausen TN Mofokeng EM Magazi MS Lukhele SJ Mnyakeni
Grading of local authority	Grade 4 Local Municipality
Accounting Officer	S Dlamini (Acting)
Chief Finance Officer (CFO)	G Mncube (Acting)
Registered office	Civic Centre c/o HF Verwoerd and Louw Street Heidelberg 1441
Postal address	PO Box 201 Heidelberg 1438
Bankers	ABSA Bank
Auditors	Auditor General of South Africa

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

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
LG Seta	Local Government Sector Education and Training Authority

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

**Accounting Officer
Designation**

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Audit Committee Report

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

Audit committee members and attendance

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

Name of member	Number of meetings attended
Mr. T Boltman (Chairperson)	8
Ms. A Noah	9
Mr. M Nondwangu	9
Mr. R Loubser	6
Adv T Bokako	9

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.

The effectiveness of internal control

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

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General 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 (delete if not applicable);
- 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.

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Audit Committee Report

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	55 027 571	70 866 072
Receivables from exchange transactions	4&6	171 708 185	151 728 903
Receivables from non-exchange transactions	5&6	55 083 045	53 263 279
Inventories	7	6 107 153	5 819 430
		287 925 954	281 677 684
Non-Current Assets			
Investment property	8	132 621 348	135 463 124
Property, plant and equipment	9	951 859 113	856 949 120
Intangible assets	10	2 931 418	3 057 838
Heritage assets	11	4 662 664	4 662 664
		1 092 074 543	1 000 132 746
Total Assets		1 380 000 497	1 281 810 430
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	139 223 144	112 553 435
Unspent conditional grants and receipts	13	20 400 501	28 711 623
Consumer deposits	14	19 995 450	18 092 860
VAT payable	15	109 339 713	86 285 694
Long term loans	16	4 600 559	4 791 323
Employee benefit obligation	17	2 060 017	2 169 595
Provisions	18	24 765 593	18 569 175
		320 384 977	271 173 705
Non-Current Liabilities			
Long term loans	16	37 204 995	41 805 554
Employee benefit obligation	17	22 159 619	19 713 403
Provisions	18	25 950 540	25 193 873
		85 315 154	86 712 830
Total Liabilities		405 700 131	357 886 535
Net Assets		974 300 366	923 923 895
Accumulated surplus		974 300 366	923 923 895
Total Net Assets		974 300 366	923 923 895

* See Note 43

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	538 592 172	541 929 461
Rental of facilities and equipment	20	6 688 295	6 279 923
Interest income	21	36 436 424	33 858 526
Licences and permits	23	14 855	48 406
Recoveries	24	800 011	1 927 587
Other income	25	7 030 835	3 514 328
Total revenue from exchange transactions		589 562 592	587 558 231
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	140 267 873	131 811 900
Interest income	22	3 720 446	3 289 877
Transfer revenue			
Government grants & subsidies	27	267 642 810	206 504 406
Public contributions and donations	28	39 995 423	129 307 107
Fines, Penalties and Forfeits	29	1 521 530	1 155 450
Total revenue from non-exchange transactions		453 148 082	472 068 740
Total revenue		1 042 710 674	1 059 626 971
Expenditure			
Employee related costs	30	(217 318 941)	(198 287 780)
Remuneration of councillors	31	(11 836 648)	(11 075 739)
Depreciation and amortisation	32	(35 001 347)	(33 725 426)
Impairment loss	33	(2 291 666)	(17 770 539)
Finance costs	34	(7 401 985)	(7 324 558)
Lease rentals on operating lease	35	(1 052 354)	(2 001 454)
Debt Impairment	36	(190 487 138)	(174 768 705)
Bulk purchases	37	(355 787 725)	(331 651 987)
Contracted services	38	(95 095 146)	(75 129 129)
Loss on disposal of assets and liabilities		(4 494 603)	(3 591 696)
Inventories losses/write-downs		-	(1 221)
General Expenses	39	(71 566 644)	(64 299 721)
Total expenditure		(992 334 197)	(919 627 955)
Surplus for the year		50 376 477	139 999 016

* See Note 43

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	816 901 912	816 901 912
Adjustments		
Correction of errors	(32 977 033)	(32 977 033)
Balance at 01 July 2019 as restated*	783 924 879	783 924 879
Changes in net assets		
Surplus for the year	139 999 016	139 999 016
Total changes	139 999 016	139 999 016
Restated* Balance at 01 July 2020	923 923 889	923 923 889
Changes in net assets		
Surplus for the year	50 376 477	50 376 477
Total changes	50 376 477	50 376 477
Balance at 30 June 2021	974 300 366	974 300 366

Note(s)

* See Note 43

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates		131 607 312	109 094 848
Sale of goods and services		388 560 936	388 185 593
Grants		257 851 446	217 150 839
Interest income		8 654 718	37 148 403
		786 674 412	751 579 683
Payments			
Employee costs		(222 407 400)	(203 997 794)
Suppliers		(477 086 531)	(462 123 259)
Finance costs		(4 144 157)	(4 553 463)
		(703 638 088)	(670 674 516)
Net cash flows from operating activities	42	83 036 324	80 905 167
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(93 986 360)	(47 062 436)
Proceeds from sale of property, plant and equipment	9	599	-
Purchase of other intangible assets	10	(99 800)	-
Proceeds from sale of other intangible assets	10	2 052	-
Net cash flows from investing activities		(94 083 509)	(47 062 436)
Cash flows from financing activities			
Repayment of other financial liabilities		(4 791 323)	(4 358 431)
Net cash flows from financing activities		(4 791 323)	(4 358 431)
Net increase/(decrease) in cash and cash equivalents		(15 838 508)	29 484 300
Cash and cash equivalents at the beginning of the year		70 866 072	41 381 771
Cash and cash equivalents at the end of the year	3	55 027 564	70 866 071

* See Note 43

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	565 327 618	16 334 442	581 662 060	538 592 172	(43 069 888)	Note 56(1)
Rental of facilities and equipment	5 587 756	111 683	5 699 439	6 688 295	988 856	
Interest received	35 988 137	-	35 988 137	40 156 870	4 168 733	Note 56(2)
Licences and permits	35 003	(26 851)	8 152	14 855	6 703	
Recoveries	-	29 389	29 389	800 011	770 622	Note 56(3)
Other income	4 222 877	1 635 419	5 858 296	7 030 835	1 172 539	Note 56(4)
Total revenue from exchange transactions	611 161 391	18 084 082	629 245 473	593 283 038	(35 962 435)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	135 625 634	5 649 617	141 275 251	140 267 873	(1 007 378)	
Transfer revenue						
Government grants & subsidies	233 823 024	51 568 935	285 391 959	267 642 810	(17 749 149)	Note 56(5)
Public contributions and donations	-	-	-	39 995 423	39 995 423	Note 56(6)
Fines, Penalties and Forfeits	35 065 563	(28 965 563)	6 100 000	1 521 530	(4 578 470)	Note 56(7)
Total revenue from non-exchange transactions	404 514 221	28 252 989	432 767 210	449 427 636	16 660 426	
Total revenue	1 015 675 612	46 337 071	1 062 012 683	1 042 710 674	(19 302 009)	
Expenditure						
Personnel	(215 770 342)	-	(215 770 342)	(217 318 941)	(1 548 599)	
Remuneration of councillors	(12 559 572)	-	(12 559 572)	(11 836 648)	722 924	
Depreciation and amortisation	(39 845 956)	1 723 463	(38 122 493)	(35 001 347)	3 121 146	
Impairment loss/ Reversal of impairments	-	-	-	(2 291 666)	(2 291 666)	
Finance costs	(7 607 693)	-	(7 607 693)	(7 401 985)	205 708	
Lease rentals on operating lease	(3 422 621)	-	(3 422 621)	(1 052 354)	2 370 267	Note 56(8)
Debt Impairment	(158 355 796)	8 840 461	(149 515 335)	(190 487 138)	(40 971 803)	Note 56(9)
Bulk purchases	(363 306 696)	-	(363 306 696)	(355 787 725)	7 518 971	Note 56(10)
Contracted Services	(95 961 839)	(5 578 726)	(101 540 565)	(95 095 146)	6 445 419	Note 56(11)
General Expenses	(69 117 872)	(11 035 064)	(80 152 936)	(71 566 644)	8 586 292	Note 56(12)
Total expenditure	(965 948 387)	(6 049 866)	(971 998 253)	(987 839 594)	(15 841 341)	
Operating surplus	49 727 225	40 287 205	90 014 430	54 871 080	(35 143 350)	
Loss on derecognition of assets and liabilities	-	-	-	(4 494 603)	(4 494 603)	Note 56(13)
Surplus before taxation	49 727 225	40 287 205	90 014 430	50 376 477	(39 637 953)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	49 727 225	40 287 205	90 014 430	50 376 477	(39 637 953)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents	76 638 354	(71 744 339)	4 894 015	55 027 571	50 133 556	Note 56(14)
Receivables from exchange transactions	323 793 329	(32 833 109)	290 960 220	171 743 305	(119 216 915)	Note 56(15)
Receivables from non-exchange transactions	36 197 559	(12 747 799)	23 449 760	55 083 045	31 633 285	Note 56(16)
Inventories	5 150 725	668 705	5 819 430	6 107 153	287 723	
	441 779 967	(116 656 542)	325 123 425	287 961 074	(37 162 351)	

Non-Current Assets

Investment property	182 616 698	(22 308 111)	160 308 587	132 621 348	(27 687 239)	
Property, plant and equipment	813 980 844	128 655 418	942 636 262	951 859 113	9 222 851	
Intangible assets	2 916 362	2 127 562	5 043 924	2 931 418	(2 112 506)	
Heritage assets	4 662 664	-	4 662 664	4 662 664	-	
	1 004 176 568	108 474 869	1 112 651 437	1 092 074 543	(20 576 894)	

Total Assets	1 445 956 535	(8 181 673)	1 437 774 862	1 380 035 617	(57 739 245)	
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Liabilities

Current Liabilities

Long term loans	4 791 323	-	4 791 323	4 600 559	(190 764)	
Payables from exchange transactions	101 211 644	(16 301 292)	84 910 352	139 223 132	54 312 780	Note 56(17)
VAT payable	110 036 513	58 593 191	168 629 704	109 348 204	(59 281 500)	Note 56(18)
Consumer deposits	16 692 778	2 438 575	19 131 353	19 995 450	864 097	
Employee benefit obligation	-	2 169 595	2 169 595	2 060 017	(109 578)	
Unspent conditional grants and receipts	110 106	(66 475)	43 631	20 400 501	20 356 870	Note 57(19)
Provisions	19 421 777	(852 602)	18 569 175	24 765 593	6 196 418	
	252 264 141	45 980 992	298 245 133	320 393 456	22 148 323	

Non-Current Liabilities

Long term loans	41 805 554	(1)	41 805 553	37 204 995	(4 600 558)	Note 56(20)
Employee benefit obligation	20 896 641	(1 183 238)	19 713 403	22 159 619	2 446 216	
Provisions	26 060 933	(867 060)	25 193 873	25 950 540	756 667	
	88 763 128	(2 050 299)	86 712 829	85 315 154	(1 397 675)	

Total Liabilities	341 027 269	43 930 693	384 957 962	405 708 610	20 750 648	
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Net Assets	1 104 929 266	(52 112 366)	1 052 816 900	974 327 007	(78 489 893)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	1 104 929 266	(52 112 366)	1 052 816 900	974 327 007	(78 489 893)	
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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	135 625 634	5 649 617	141 275 251	-		141 275 251	140 267 873		(1 007 378)	99 %	103 %
Service charges	565 327 618	16 334 442	581 662 060	-		581 662 060	538 592 172		(43 069 888)	93 %	95 %
Interest income	35 988 137	-	35 988 137	-		35 988 137	36 436 424		448 287	101 %	101 %
Transfers recognised - operational	162 749 024	24 477 369	187 226 393	-		187 226 393	180 142 634		(7 083 759)	96 %	111 %
Other own revenue	44 911 199	(27 215 923)	17 695 276	-		17 695 276	19 775 972		2 080 696	112 %	44 %
Total revenue (excluding capital transfers and contributions)	944 601 612	19 245 505	963 847 117	-		963 847 117	915 215 075		(48 632 042)	95 %	97 %
Employee costs	(215 770 342)	-	(215 770 342)	-	-	(215 770 342)	(217 318 941)	-	(1 548 599)	101 %	101 %
Remuneration of councillors	(12 559 572)	-	(12 559 572)	-	-	(12 559 572)	(11 836 648)	-	722 924	94 %	94 %
Debt impairment	(158 355 796)	8 840 461	(149 515 335)			(149 515 335)	(190 487 138)	-	(40 971 803)	127 %	120 %
Depreciation and asset impairment	(39 845 956)	1 723 463	(38 122 493)			(38 122 493)	(37 293 013)	-	829 480	98 %	94 %
Finance charges	(7 607 693)	-	(7 607 693)	-	-	(7 607 693)	(7 401 985)	-	205 708	97 %	97 %
Materials and bulk purchases	(363 306 696)	-	(363 306 696)	-	-	(363 306 696)	(355 787 725)	-	7 518 971	98 %	98 %
Other expenditure	(168 502 332)	(16 613 790)	(185 116 122)	-	-	(185 116 122)	(172 208 747)	-	12 907 375	93 %	102 %
Total expenditure	(965 948 387)	(6 049 866)	(971 998 253)	-	-	(971 998 253)	(992 334 197)	-	(20 335 944)	102 %	103 %
Surplus/(Deficit)	(21 346 775)	13 195 639	(8 151 136)	-		(8 151 136)	(77 119 122)		(68 967 986)	946 %	361 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	71 074 000	27 091 566	98 165 566	-		98 165 566	87 500 176		(10 665 390)	89 %	123 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	39 995 423		39 995 423	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	49 727 225	40 287 205	90 014 430	-		90 014 430	50 376 477		(39 637 953)	56 %	101 %
Surplus/(Deficit) for the year	49 727 225	40 287 205	90 014 430	-		90 014 430	50 376 477		(39 637 953)	56 %	101 %
Capital expenditure and funds sources											
Total capital expenditure	79 691 405	41 748 535	121 439 940	-		121 439 940	94 086 160		(27 353 780)	77 %	118 %
Sources of capital funds											
Transfers recognised - capital	65 639 000	29 779 935	95 418 935	-		95 418 935	84 137 162		(11 281 773)	88 %	128 %
Internally generated funds	14 052 405	11 968 600	26 021 005	-		26 021 005	10 313 910		(15 707 095)	40 %	73 %
Total sources of capital funds	79 691 405	41 748 535	121 439 940	-		121 439 940	94 451 072		(26 988 868)	78 %	119 %

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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1.2 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. 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 pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

1.3 Investment property

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

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

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 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 the previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated 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	Average useful life
Infrastructure	Straight-line	
• Roads and paving		5-80 years
• Electricity		10-50 years
• Water		10-40 years
• Sewerage		12-20 years
• Landfill site		15-30 years

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1.4 Property, plant and equipment (continued)

Community	Straight-line	
• Buildings		30-60 years
• Recreational facilities		20-50 years
• Security		5 years
Other property, plant and equipment	Straight-line	
• Buildings		30-60 years
• Specialist vehicles		5-20 years
• Other vehicles		5-20 years
• Furniture and fittings		3-18 years
• Bins and containers		3-18 years
• Office equipment		3-18 years
• Library books		5-25 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 the estimates, the change is accounted for as a change in accounting 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 charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

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.

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1.5 Intangible assets (continued)

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years
Servitudes	Straight-line	indefinite

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

1.6 Heritage assets

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.7 Financial instruments

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

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

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1.7 Financial instruments (continued)

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

A financial asset is:

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

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

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

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
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Long term loans	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
Consumer deposits	Financial liability measured at amortised cost
VAT payable	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.

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

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1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

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

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

Financial liabilities

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

The 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

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

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

1.8 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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

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1.8 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.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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1.8 Statutory receivables (continued)

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

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.

1.9 Leases

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

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

Operating leases - lessor

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.10 Inventories

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

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

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

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

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1.10 Inventories (continued)

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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.

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

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

Useful life is either:

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

Identification

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

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

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.

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1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

1.12 Impairment of non-cash-generating assets

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

Identification

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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits

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

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

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1.13 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 recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

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

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

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

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1.14 Provisions and contingencies

Provisions are recognised when:

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

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.

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.

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

Measurement

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

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1.16 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Debt impairment is calculated as follows:

- all residential debts which are 90 days and above will be provided for at 100% of the outstanding amount;
- all residential debt which are above 60 days and below 90 days will be provided for at 10% of the outstanding amount;
- residential debt below 60 days will not be provided for; and
- no provision will be made for outstanding government, business and agricultural debt.

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1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

1.17 Revenue from non-exchange transactions

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.

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Fines are impaired based on the "average collection rate" in the previous two financial years.

1.18 Borrowing costs

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

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Accounting Policies

1.18 Borrowing costs (continued)

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

1.19 Comparative figures

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

1.20 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.

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

1.23 Budget information

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

1.24 Related parties

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

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

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

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

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

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1.24 Related parties (continued)

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

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

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

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 control of the municipality are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

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

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

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.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> Guideline: Guideline on Accounting for Landfill Sites 	01 April 2020	The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 25: Employee Benefits 	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 104 (amended): Financial Instruments 	01 April 2021	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 080	2 080
Bank balances	3 898 486	7 444 225
Short-term deposits	51 127 005	63 419 767
	55 027 571	70 866 072

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 - Main Cheque Account	2 584 329	4 286 817	3 246 800	(1 954 649)	6 737 229	3 468 445
ABSA Bank - Cheque Account	80 541	50 345	536	80 541	50 345	536
ABSA Bank - Call Account	29 581 515	39 660 153	37 483 163	29 581 515	39 660 153	37 483 163
Investec - Call Account	21 545 491	23 759 547	396 579	21 545 491	23 759 547	396 579
FNB - Main Cheque Account	755 141	656 650	39 287	755 141	656 650	39 287
FNB - Cheque Account	-	-	(8 388)	-	-	(8 388)
Total	54 547 017	68 413 512	41 157 977	50 008 039	70 863 924	41 379 622

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Figures in Rand	2021	2020
4. Receivables from exchange transactions		
Consumer debtors - Electricity	58 090 449	46 259 020
Consumer debtors - Water	35 089 799	36 975 415
Consumer debtors - Sewerage	8 215 311	8 203 247
Consumer debtors - Refuse	9 120 269	7 949 961
Consumer debtors - VAT	15 018 292	13 411 917
Consumer debtors - Other	42 081 467	35 002 477
Deposits	673 792	673 792
Accrued interest	179 975	202 389
Prepaid expenses	-	678 112
Other debtors	3 238 831	2 372 573
	171 708 185	151 728 903

Credit quality of trade and other receivables

The credit quality of trade and other receivables 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.

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of 1 028 500 638 (2020: 831 603 198) were impaired and provided for.

The amount of the provision was (860 849 931) as of 30 June 2021 (2020: 685 981 357).

The ageing of these receivables from exchange transactions is provided in note 6.

5. Receivables from non-exchange transactions

Consumer debtors - Rates	40 927 497	39 635 860
Fines	8 878 434	8 863 612
Government grants and subsidies	5 277 114	4 763 807
	55 083 045	53 263 279

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Consumer debtors - Rates	40 927 497	39 645 422
Fines	8 878 434	8 863 612
	49 805 931	48 509 034

Financial asset receivables included in receivables from non-exchange transactions above	5 277 114	4 754 245
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Total receivables from non-exchange transactions	-	47 880 404
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5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are levied in terms of the Municipal Property Rates Act (Act No 6 of 2004).

Traffic fines are issued in terms of s56 and s341 of the National Road Traffic Act (Act No 93 of 1996).

Interest or other charges levied/charged

Interest on property rates is levied monthly at a rate of 10% per annum on outstanding amounts.

Statutory receivables impaired

Consumer debtors - rates

As of 30 June 2021, consumer debtors - rates of 111 164 433 (2020: 100 938 796) were impaired and provided for.

The amount of the provision was 70 236 936 as of 30 June 2021 (2020: 61 293 374).

The ageing of consumer debtors - rates is provided in note 6.

Traffic fines

As of 30 June 2021, traffic fines of R139 884 056 (2020: R138 717 636) were impaired and provided for.

The amount of the provision was R131 005 622 as of 30 June 2021 (2020: R129 854 024).

Credit quality of receivables from non-exchange transactions

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

6. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	111 164 433	100 929 234
Consumer debtors - Electricity	283 243 826	226 568 989
Consumer debtors - Water	345 166 029	274 946 751
Consumer debtors - Sewerage	86 595 620	70 712 344
Consumer debtors - Refuse	113 612 547	93 406 314
Consumer debtors - VAT	108 607 347	86 982 326
Consumer debtors - Other	91 240 149	81 166 670
	1 139 629 951	934 712 628

Less: Allowance for impairment

Consumer debtors - Rates	(70 236 936)	(61 293 374)
Consumer debtors - Electricity	(225 153 377)	(180 309 969)
Consumer debtors - Water	(310 076 230)	(237 971 336)
Consumer debtors - Sewerage	(78 380 309)	(62 509 097)
Consumer debtors - Refuse	(104 492 278)	(85 456 353)
Consumer debtors - VAT	(93 589 055)	(73 570 409)
Consumer debtors - Other	(49 158 682)	(46 164 193)
	(931 086 867)	(747 274 731)

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6. Consumer debtors disclosure (continued)		
Net balance		
Consumer debtors - Rates	40 927 497	39 635 860
Consumer debtors - Electricity	58 090 449	46 259 020
Consumer debtors - Water	35 089 799	36 975 415
Consumer debtors - Sewerage	8 215 311	8 203 247
Consumer debtors - Refuse	9 120 269	7 949 961
Consumer debtors - VAT	15 018 292	13 411 917
Consumer debtors - Other	42 081 467	35 002 477
	208 543 084	187 437 897
Rates		
Current (0 -30 days)	9 851 953	12 775 781
31 - 60 days	4 384 728	4 180 430
61 - 90 days	3 166 160	3 554 869
91 - 120 days	1 195 601	1 318 346
121 - 365 days	7 351 138	8 229 882
> 365 days	14 977 917	9 576 552
	40 927 497	39 635 860
Electricity		
Current (0 -30 days)	23 315 910	19 824 940
31 - 60 days	10 240 022	6 917 462
61 - 90 days	6 064 051	6 413 083
91 - 120 days	1 048 787	849 003
121 - 365 days	6 290 626	5 373 811
> 365 days	11 131 053	6 880 721
	58 090 449	46 259 020
Water		
Current (0 -30 days)	10 696 351	14 706 488
31 - 60 days	8 112 616	7 864 338
61 - 90 days	6 117 794	7 775 522
91 - 120 days	346 871	272 100
121 - 365 days	2 467 841	1 663 961
> 365 days	7 348 326	4 693 006
	35 089 799	36 975 415
Sewerage		
Current (0 -30 days)	2 701 543	2 628 165
31 - 60 days	1 865 631	1 845 951
61 - 90 days	1 624 010	1 703 626
91 - 120 days	82 209	92 428
121 - 365 days	494 362	557 870
> 365 days	1 447 556	1 375 207
	8 215 311	8 203 247

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Figures in Rand	2021	2020
6. Consumer debtors disclosure (continued)		
Refuse		
Current (0 -30 days)	3 038 529	2 735 049
31 - 60 days	2 321 447	2 084 110
61 - 90 days	1 981 442	1 936 853
91 - 120 days	88 246	65 805
121 - 365 days	461 581	353 659
> 365 days	1 229 024	774 485
	9 120 269	7 949 961
VAT		
Current (0 -30 days)	2 489 970	5 649 225
31 - 60 days	877 873	2 478 721
61 - 90 days	2 215 978	2 357 042
91 - 120 days	211 224	178 391
121 - 365 days	1 314 157	1 065 715
> 365 days	7 909 090	1 682 823
	15 018 292	13 411 917
Other		
Current (0 -30 days)	1 962 752	1 132 642
31 - 60 days	1 029 019	752 816
61 - 90 days	2 533 163	687 526
91 - 120 days	365 161	341 993
121 - 365 days	2 952 916	2 719 236
> 365 days	33 238 456	29 368 264
	42 081 467	35 002 477
Reconciliation of allowance for impairment		
Balance at beginning of the year	(747 274 731)	(595 246 451)
Contributions to allowance	(189 097 990)	(173 723 466)
Debt impairment written off against allowance	5 285 854	21 695 186
	931 086 867	747 274 731
7. Inventories		
Consumable stores	5 661 976	5 315 555
Water for distribution	445 177	428 659
Fuel (Diesel, Petrol)	-	75 216
	6 107 153	5 819 430

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8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 210 101	(56 588 753)	132 621 348	189 210 101	(53 746 977)	135 463 124

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	135 463 124	(2 841 776)	132 621 348

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	140 697 415	(5 234 291)	135 463 124

Pledged as security

No portion of investment property has been pledged as security for liabilities.

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

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9. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	176 328 338	-	176 328 338	176 328 338	-	176 328 338
Plant and machinery	2 177 996	(1 205 562)	972 434	1 993 336	(1 121 444)	871 892
Furniture and fixtures	13 783 626	(11 159 990)	2 623 636	14 333 807	(11 300 842)	3 032 965
Motor vehicles	37 817 571	(21 331 998)	16 485 573	27 111 492	(19 654 409)	7 457 083
Office equipment	7 045 858	(4 513 775)	2 532 083	5 965 070	(3 956 052)	2 009 018
Infrastructure	996 786 563	(378 866 794)	617 919 769	891 026 276	(357 960 202)	533 066 074
Community	171 947 993	(106 739 596)	65 208 397	169 085 039	(99 742 279)	69 342 760
Capital work in progress	62 016 394	-	62 016 394	58 749 855	-	58 749 855
Library books	21 818 737	(15 138 248)	6 680 489	20 249 045	(14 157 910)	6 091 135
Spare parts	1 092 000	-	1 092 000	-	-	-
Total	1 490 815 076	(538 955 963)	951 859 113	1 364 842 258	(507 893 138)	856 949 120

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	176 328 338	-	-	-	-	-	-	-	176 328 338
Plant and machinery	871 892	256 245	-	-	-	-	(155 703)	-	972 434
Furniture and fixtures	3 032 965	599 400	(99)	-	-	-	(1 008 630)	-	2 623 636
Motor vehicles	7 457 083	10 836 079	(18 134)	-	-	-	(1 789 455)	-	16 485 573
Office equipment	2 009 018	1 619 167	(363)	-	-	-	(1 095 739)	-	2 532 083
Infrastructure	533 066 074	-	(4 420 375)	39 995 423	71 736 737	(349 520)	(22 070 674)	(37 896)	617 919 769
Community	69 342 760	-	(56 231)	-	3 010 501	-	(4 834 864)	(2 253 769)	65 208 397
Capital work in progress	58 749 855	78 013 777	-	-	(74 747 238)	-	-	-	62 016 394
Library books	6 091 135	1 569 692	-	-	-	-	(980 338)	-	6 680 489
Spare parts	-	1 092 000	-	-	-	-	-	-	1 092 000
	856 949 120	93 986 360	(4 495 202)	39 995 423	-	(349 520)	(31 935 403)	(2 291 665)	951 859 113

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	176 328 338	-	-	-	-	-	-	-	176 328 338
Plant and machinery	902 717	117 540	-	-	-	-	(148 365)	-	871 892
Furniture and fixtures	3 462 297	627 919	-	-	-	-	(1 057 251)	-	3 032 965
Motor vehicles	8 051 075	1 029 218	(97 927)	-	-	-	(1 525 283)	-	7 457 083
Office equipment	1 486 403	1 096 743	-	-	-	-	(574 128)	-	2 009 018
Infrastructure	392 275 069	10 717 230	(1 979 825)	129 307 106	23 370 883	(1 733 650)	(18 890 739)	-	533 066 074
Community	70 639 802	36 800	(1 510 347)	-	22 644 826	-	(4 694 185)	(17 774 136)	69 342 760
Capital work in progress	71 331 946	33 433 618	-	-	(46 015 709)	-	-	-	58 749 855
Library books	7 208 990	3 368	-	-	-	-	(1 121 223)	-	6 091 135
	731 686 637	47 062 436	(3 588 099)	129 307 106	-	(1 733 650)	(28 011 174)	(17 774 136)	856 949 120

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities.

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	53 192 431	3 689 891	1 867 532	58 749 854
Additions/capital expenditure	76 942 269	1 071 508	-	78 013 777
Transferred to completed items	(71 736 736)	(3 010 501)	-	(74 747 237)
	58 397 964	1 750 898	1 867 532	62 016 394

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	45 275 443	24 188 970	1 867 532	71 331 945
Additions/capital expenditure	31 287 871	2 145 747	-	33 433 618
Transferred to completed items	(23 370 883)	(22 644 826)	-	(46 015 709)
	53 192 431	3 689 891	1 867 532	58 749 854

Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services	19 617 278	19 057 115
Materials	19 515 667	12 169 652
	39 132 945	31 226 767

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP17. Total value: R147 313 000 (2020: R147 313 000)

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

10. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 112 855	(2 798 369)	314 486	4 409 000	(3 968 094)	440 906
Servitudes	2 616 932	-	2 616 932	2 616 932	-	2 616 932
Total	5 729 787	(2 798 369)	2 931 418	7 025 932	(3 968 094)	3 057 838

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10. Intangible assets (continued)

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	440 906	99 800	(2 052)	(224 168)	314 486
Servitudes	2 616 932	-	-	-	2 616 932
	3 057 838	99 800	(2 052)	(224 168)	2 931 418

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	920 868	(479 962)	440 906
Servitudes	2 616 932	-	2 616 932
	3 537 800	(479 962)	3 057 838

Pledged as security

No portion of intangible assets have been pledged as security for liabilities.

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

11. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 662 664	-	4 662 664	4 662 664	-	4 662 664

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	4 662 664	4 662 664

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	4 662 664	4 662 664

Pledged as security

No portion of heritage assets have been pledged as security for liabilities.

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

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Figures in Rand	2021	2020
12. Payables from exchange transactions		
Trade payables	82 083 081	72 803 987
Payments received in advanced	39 577 646	27 961 464
Retentions	8 434 326	6 821 973
Grants payable	3 796 873	-
Accrued bonus	4 294 292	3 927 518
Deposits received	1 036 926	1 038 493
	139 223 144	112 553 435

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Finance Management Grant	-	2 931
Equitable Share - Covid 19	6 742 490	-
Libraries Plan	2 062 805	3 361 965
Performance System Management Grant	351 022	351 022
Bontle Ke Botho Grant	27 371	27 371
Municipal Infrastructure Grant	-	6 737 525
Integrated National Electrification Programme Grant	1 338 382	91 881
Energy Efficiency and Demand Side Management Grant	-	117 300
Water Services Infrastructure Grant	1 828 890	5 218 351
Recapitalization of Community Libraries Grant	8 049 541	6 803 277
Cogta Fire and Rescue Services Grant	-	6 000 000
	20 400 501	28 711 623

Movement during the year

Balance at the beginning of the year	28 711 623	11 161 049
Additions during the year	257 851 446	217 150 839
Income recognition during the year	(267 642 809)	(206 504 406)
Transfer (to)/from payables	(3 796 873)	2 140 334
Grants receivable	5 277 114	4 763 807
	20 400 501	28 711 623

Net grants movement reconciliation

Receivables from non-exchange transactions	(5 277 114)	(4 763 807)
Unspent conditional grant rollovers	20 400 501	28 711 623
	15 123 387	23 947 816

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

14. Consumer deposits

All services	19 995 450	18 092 860
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15. VAT payable

VAT	109 339 713	86 285 694
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Figures in Rand		2021	2020			
16. Long term loans						
At amortised cost						
Bank loan		41 805 554	46 596 877			
Terms and conditions						
Non-current liabilities						
At amortised cost		37 204 995	41 805 554			
Current liabilities						
At amortised cost		4 600 559	4 791 323			
Loan description	Loan number	Redeemable	Balance at 30 June 2020	Received during the period	Redeemed during the period	Balance at 30 June 2021
R13 Ratanda electricity - 9.45% fixed	102187	15 years	587 688	-	(587 688)	-
R14 Electrical Upgrade - 9.59% fixed	102986_1	20 years	12 967 231	-	(1 142 123)	11 825 108
R15 Electrical upgrade - 5% fixed	102986_2	20 years	7 282 133	-	(761 041)	6 521 092
R16 Vehicles - 11.87% fixed	6100956	12 years	1 088 697	-	(512 999)	575 698
R17 Infrastructure - 6.75%	6100955	20 years	2 244 367	-	(163 558)	2 080 809
R18 Other - 14.24% fixed	6100954	20 years	4 251 130	-	(212 322)	4 038 808
R19 Electrical infrastructure - 12% fixed	61006830	20 years	6 385 502	-	(280 021)	6 105 481
R20 Electrical upgrade - 6.75% fixed	61006831	20 years	9 511 788	-	(569 987)	8 941 801
R21 Roads and stormwater - 11.65% fixed	61006809	120 years	2 278 341	-	(561 587)	1 716 754
			46 596 877	-	(4 791 326)	41 805 551

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17. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality's post-employment health care liability consists of a commitment to pay a portion of the pensioners' postemployment medical scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary pensioner.

Lesedi local municipality operates on 5 accredited medical aid schemes, namely Hosmed, Key Health, SAMWU Med, Bonitas and LA Health.

The municipality provides post-retirement benefits by subsidising the medical aid contributions of an employee who retires from employment and who, immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by the municipality, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the municipality as at the date of retirement will be 60% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

- If the employee is 50 years or older on the 1 July 2003, his or her subsidy from the municipality as at the date of retirement will be 50% to a maximum amount of the norm, of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

This benefit is subject to a maximum Rand cap of R4773.

The Rand cap amount is expected to increase each year in line with healthcare cost inflation, effective 1 January each year.

Summary of membership date:

Reason	Number	Average Age
Continuation members	33	72.91

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(24 219 636)	(21 882 998)
Non-current liabilities	(22 159 619)	(19 713 403)
Current liabilities	(2 060 017)	(2 169 595)
	(24 219 636)	(21 882 998)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	21 882 998	21 110 167
Net expense recognised in the statement of financial performance	2 336 638	772 831
	24 219 636	21 882 998

Net expense recognised in the statement of financial performance

Interest cost	1 946 712	1 760 781
Actuarial (gains) losses	2 411 562	2 257 067
Settlement	(2 021 636)	(3 245 017)
	2 336 638	772 831

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Figures in Rand	2021	2020
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17. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	2 411 562	2 257 067
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.97 %	9.36 %
Expected increase in healthcare costs	6.70 %	5.97 %
Consumer price inflation	5.20 %	4.47 %
Net discount rate	2.13 %	3.20 %

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 244 430	1 866 638
Effect on defined benefit obligation	26 510 765	22 212 887

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

	2021	2020	2019	2018	2017
Defined benefit obligation	24 219 636	21 882 998	21 110 166	24 229 597	52 549 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

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Figures in Rand 2021 2020

18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	26 347 911	-	-	1 311 116	(349 520)	27 309 507
Provision for leave pay	17 415 137	10 719 999	(4 728 510)	-	-	23 406 626
	43 763 048	10 719 999	(4 728 510)	1 311 116	(349 520)	50 716 133

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	27 071 247	-	-	1 010 314	(1 733 650)	26 347 911
Provision for leave pay	13 542 931	6 665 161	(2 792 955)	-	-	17 415 137
	40 614 178	6 665 161	(2 792 955)	1 010 314	(1 733 650)	43 763 048

Non-current liabilities					25 950 540	25 193 873
Current liabilities					24 765 593	18 569 175
					50 716 133	43 763 048

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year end to reflect the best estimate at reporting date. The sites under consideration are the Devon landfill site and the Devon and Poortjie dumping sites.

Key financial assumptions used in this calculation were as follows:

	Devon landfill site	Poortjie dumping site	Devon dumping site
Discount rate	8.4%	8.4%	8.4%
CPI	4.6%	4.6%	4.6%
Net discount rate	3.73%	3.73%	3.73%
Remaining useful life	28 years	15 years	15 years

19. Service charges

Sale of electricity	329 550 150	338 138 897
Sale of water	141 731 129	139 543 713
Sewerage and sanitation charges	31 969 621	31 160 800
Refuse removal	35 341 272	33 086 051
	538 592 172	541 929 461

20. Rental of facilities and equipment

Premises		
Premises	4 917 132	4 743 556

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Figures in Rand	2021	2020
20. Rental of facilities and equipment (continued)		
Facilities and equipment		
Rental of facilities	1 510 853	1 372 768
Rental of equipment	260 310	163 599
	1 771 163	1 536 367
	6 688 295	6 279 923
21. Interest income		
Interest revenue		
Bank	2 723 142	5 087 253
Interest charged on trade and other receivables	33 713 282	28 771 273
	36 436 424	33 858 526
22. Interest from non-exchange receivables		
Interest charged on property rates	3 720 446	3 289 877
23. Licences and permits (exchange)		
Flammable goods	14 855	48 406
24. Recoveries		
Insurance recoveries	800 011	1 927 587
Included in the balance for insurance recoveries is monies received from the insurer on assets that were either destroyed, stolen or damaged.		
25. Other income		
Abnormal loads	8 096	33 612
Admin fees	20 810	5 375
Cemetery fees	1 670 480	1 327 134
Clearance certificates	67 832	217 684
Fire services	45 624	6 925
Library fees	816 223	743 985
Planning fees	4 014 941	962 407
Swimming pool fees	4 363	3 030
Sundries	382 466	214 176
	7 030 835	3 514 328

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Figures in Rand	2021	2020
26. Property rates		
Rates received		
All categories	171 203 297	150 572 022
Less: Income forgone	(30 935 424)	(18 760 122)
	140 267 873	131 811 900
Valuations (R'000)		
Residential	8 017 606	7 466 986
Commercial	2 048 905	2 044 679
State	870 670	1 599 931
Municipal	416 667	376 080
Small holdings and farms	2 031 556	2 080 119
	13 385 404	13 567 795

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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Figures in Rand	2021	2020
27. Government grants and subsidies		
Operating grants		
Equitable Share	148 231 000	133 765 000
Finance Management Grant	1 550 000	1 547 069
Expanded Public Works Program Grant	1 367 000	1 460 000
Municipal Disaster Relief Grant	-	685 000
Equitable Share - Covid 19	15 666 510	-
Libraries Plan	7 005 564	5 257 518
Performance Management System Grant	-	148 978
District health	5 328 292	4 164 727
Expanded Public Works Program (Cogta)	500 000	1 004 000
Grap 17 Compliance Grant	-	1 000 000
LG Seta	494 268	390 481
	180 142 634	149 422 773
Capital grants		
Municipal Infrastructure Grant	30 264 065	21 395 607
Integrated National Electrification Program	33 610 618	12 908 119
Energy Efficiency and Demand Side Management Grant	-	6 882 700
Water Services Infrastructure Grant	12 575 034	9 781 649
Recapitalization of Community Libraries Grant	5 050 459	5 827 785
Cogta Fire and Rescue Services Grant	6 000 000	-
Small Business Development Grant	-	285 773
	87 500 176	57 081 633
	267 642 810	206 504 406

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

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

All registered indigents receive a monthly subsidy of 715 (2020: 677), which is funded from the grant.

Finance Management Grant

Balance unspent at beginning of year	2 931	-
Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue	(1 550 000)	(1 547 069)
Offset against equitable share	(2 931)	-
	-	2 931

Conditions still to be met - remain liabilities (see note 13).

Expanded Public Works Program Grant

Current-year receipts	1 367 000	1 460 000
Conditions met - transferred to revenue	(1 367 000)	(1 460 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

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Figures in Rand	2021	2020
27. Government grants and subsidies (continued)		
Municipal Disaster Relief Grant		
Current-year receipts	-	685 000
Conditions met - transferred to revenue	-	(685 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Equitable Share - Covid 19		
Current-year receipts	22 409 000	-
Conditions met - transferred to revenue	(15 666 510)	-
	6 742 490	-
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
Libraries plan		
Balance unspent at beginning of year	3 361 965	1 619 483
Current-year receipts	7 000 000	7 000 000
Conditions met - transferred to revenue	(7 005 564)	(5 257 518)
Transfer to payables	(1 293 596)	-
	2 062 805	3 361 965
Conditions still to be met - remain liabilities (see note 13).		
Provincial clinics		
Balance unspent at beginning of year	(440 684)	(440 684)
Current-year receipts	-	27 816
Conditions met - transferred to revenue	-	(27 816)
	(440 684)	(440 684)
Conditions still to be met - remain liabilities (see note 13).		
Performance Management System Grant		
Balance unspent at beginning of year	351 022	500 000
Conditions met - transferred to revenue	-	(148 978)
	351 022	351 022
Conditions still to be met - remain liabilities (see note 13).		
District health		
Balance unspent at beginning of year	(4 323 123)	(2 647 063)
Current-year receipts	4 814 985	2 488 667
Conditions met - transferred to revenue	(5 328 292)	(4 164 727)
	(4 836 430)	(4 323 123)
Conditions still to be met - remain liabilities (see note 13).		

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Figures in Rand	2021	2020
27. Government grants and subsidies (continued)		
Expanded Public Works Program (Cogta)		
Current-year receipts	500 000	1 004 000
Conditions met - transferred to revenue	(500 000)	(1 004 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Grap 17 Compliance Grant		
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Bontle Ke Botho Grant		
Balance unspent at beginning of year	27 371	27 371
Conditions still to be met - remain liabilities (see note 13).		
LG Seta		
Current-year receipts	494 268	390 481
Conditions met - transferred to revenue	(494 268)	(390 481)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	6 737 525	4 857 084
Current-year receipts	25 927 000	26 404 000
Conditions met - transferred to revenue	(30 264 065)	(21 395 607)
Offset against equitable share	(2 400 460)	(3 127 952)
	-	6 737 525
Conditions still to be met - remain liabilities (see note 13).		
Integrated National Electrification Program		
Balance unspent at beginning of year	91 881	2 526 048
Current-year receipts	34 949 000	13 000 000
Conditions met - transferred to revenue	(33 610 618)	(12 908 119)
Offset against equitable share	(91 881)	(2 526 048)
	1 338 382	91 881
Conditions still to be met - remain liabilities (see note 13).		
Energy Efficiency and Demand Side Management Grant		
Balance unspent at beginning of year	117 300	-

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27. Government grants and subsidies (continued)		
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	-	(6 882 700)
Offset against equitable share	(117 300)	-
	-	117 300

Conditions still to be met - remain liabilities (see note 13).

Water Services Infrastructure Grant

Balance unspent at beginning of year	5 218 351	-
Current-year receipts	10 000 000	15 000 000
Conditions met - transferred to revenue	(12 575 033)	(9 781 649)
Offset against equitable share	(814 428)	-
	1 828 890	5 218 351

Conditions still to be met - remain liabilities (see note 13).

Recapitalization of Community Libraries Grant

Balance unspent at beginning of year	6 803 277	1 631 063
Current-year receipts	8 800 000	8 859 665
Conditions met - transferred to revenue	(5 050 459)	(5 827 785)
Transfer (to)/from payables	(2 503 277)	2 140 334
	8 049 541	6 803 277

Conditions still to be met - remain liabilities (see note 13).

Cogta Fire and Rescue Services Grant

Balance unspent at beginning of year	6 000 000	-
Current-year receipts	-	6 000 000
Conditions met - transferred to revenue	(6 000 000)	-
	-	6 000 000

Conditions still to be met - remain liabilities (see note 13).

Small Business Development Grant

Current-year receipts	-	285 773
Conditions met - transferred to revenue	-	(285 773)
	-	-

Conditions still to be met - remain liabilities (see note 13).

28. Public contributions and donations

Gauteng Department of Human Settlements	39 995 423	129 307 107
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29. Fines, Penalties and Forfeits

Municipal Traffic Fines	1 521 530	1 155 450
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Figures in Rand	2021	2020
30. Employee related costs		
Basic	124 554 962	118 819 151
Medical aid - company contributions	12 883 947	10 608 671
UIF	890 608	913 814
WCA	931 362	793 497
SDL	1 680 130	1 366 185
Other payroll levies	53 612	53 599
Leave pay provision charge	9 802 648	6 665 161
Pension costs	24 271 034	22 662 551
Group insurance	2 026 866	1 864 496
Overtime payments	12 539 751	11 350 347
Long-service awards	96 944	73 181
13th Cheques	10 243 872	9 068 412
Acting allowances	1 285 633	1 523 343
Car allowance	4 545 064	4 695 711
Housing benefits and allowances	847 066	762 779
Cellphone allowance	1 069 596	295 850
Entertainment allowance	840	840
Standby	1 475 250	1 261 141
Tool allowance	720	720
Actuarial loss	2 411 562	2 257 067
	211 611 467	195 036 516

Remuneration of municipal manager

Annual Remuneration	1 282 333	-
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Cellphone Allowance	14 000	-
	1 296 333	-

The position was filled on 1 September 2020.

Remuneration of chief finance officer

Annual Remuneration	-	-
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-

The position has been vacant since 25 April 2019.

Remuneration of executive manager: corporate services

Annual Remuneration	635 535	547 180
Car Allowance	229 500	176 500
Contributions to UIF, Medical and Pension Funds	29 669	103 956
Housing allowance	397 452	359 426
Acting allowance	-	283 823
Cellphone Allowance	10 000	-
	1 302 156	1 470 885

Remuneration of executive manager: community services

Annual Remuneration	1 034 898	388 956
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30. Remuneration of councillors (continued)		
Car Allowance	192 995	67 200
Contributions to UIF, Medical and Pension Funds	44 277	595
Cellphone Allowance	10 000	-
	1 282 170	456 751

Remuneration of executive manager: infrastructure services

Annual Remuneration	412 014	-
Car Allowance	57 451	-
Contributions to UIF, Medical and Pension Funds	149	-
Cellphone Allowance	10 000	-
	479 614	-

The position was filled on 1 February 2021.

Remuneration of executive manager: development and planning

Annual Remuneration	1 192 000	1 082 300
Car Allowance	94 000	87 383
Contributions to UIF, Medical and Pension Funds	446	37 126
Acting Allowance	50 755	71 912
Cellphone Allowance	10 000	-
Leave Sold	-	44 907
	1 347 201	1 323 628

31. Remuneration of councillors

Executive Major	912 853	900 271
Mayoral Committee Members	3 653 510	3 427 016
Speaker	796 015	728 375
Councillors	6 474 270	6 020 077
	11 836 648	11 075 739

In-kind benefits

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

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

The Executive Mayor has four full-time bodyguards. The speaker has two full-time bodyguards.

Additional information

Councillors are remunerated in terms of the Remuneration of the Public Office Bearers Act.

32. Depreciation and amortisation

Property, plant and equipment	31 935 403	28 011 174
Investment property	2 841 776	5 234 290
Intangible assets	224 168	479 962
	35 001 347	33 725 426

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Figures in Rand	2021	2020
33. Impairment of assets		
Impairments		
Property, plant and equipment	2 291 666	17 770 539
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
The main classes of assets affected by impairment losses are:		
	2020/21	2019/20
Infrastructure assets	37,896	
Community assets	2,253,769	17,770,539
34. Finance costs		
Non-current borrowings	4 116 076	4 548 969
Trade and other payables	28 081	4 393
Bank	-	101
Interest cost on employee benefits	1 946 712	1 760 781
Fair value adjustments on landfill sites	1 311 116	1 010 314
	7 401 985	7 324 558
35. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	54 503	734 504
Equipment		
Contractual amounts	997 851	1 266 950
	1 052 354	2 001 454
36. Debt impairment		
Impairment on traffic fines	1 151 598	902 239
Contributions to debt impairment provision	189 097 990	173 723 466
Bad debts written off	237 550	143 000
	190 487 138	174 768 705
37. Bulk purchases		
Electricity - Eskom	271 376 462	249 737 880
Water	84 411 263	81 914 107
	355 787 725	331 651 987

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Figures in Rand	2021	2020
38. Contracted services		
Outsourced Services		
Animal Care	179 059	20 000
Burial Services	107 902	39 420
Business and Advisory	7 937 927	5 615 524
Catering Services	445 053	674 821
Cleaning Services	184 167	532 813
Fire Services	-	19 536
Hygiene Services	146 710	-
Internal Auditors	1 419 653	2 211 705
Meter Management	8 873 155	2 432 313
Connection/Dis-connection	1 032 362	670 485
Security Services	5 047 405	417 484
Consultants and Professional Services		
Business and Advisory	4 408 819	3 316 606
Infrastructure and Planning	765 000	-
Legal Cost	7 357 746	2 689 839
Contractors		
Artists and Performers	24 000	13 241
Catering Services	-	1 900
Electrical	9 932 715	11 957 712
Employee Wellness	25 000	196 400
Event Promoters	-	6 500
Gardening Services	-	2 610
Inspection Fees	1 663 815	255 404
Maintenance of Buildings and Facilities	963 077	394 840
Maintenance of Equipment	1 500 915	1 375 270
Maintenance of Unspecified Assets	7 356 162	5 329 293
Pest Control and Fumigation	-	1 725
Tracing Agents and Debt Collectors	994 544	694 357
Traffic and Street Lights	582 788	5 984 956
Safeguard and Security	18 733 272	15 596 098
Sewerage Services	15 413 900	14 678 277
	95 095 146	75 129 129

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Figures in Rand	2021	2020
39. General expenses		
Advertising	706 712	987 371
Auditors remuneration	3 866 998	4 001 730
Bank charges	2 030 436	1 374 461
Commission paid	6 928 760	7 087 545
Consumables	1 573 643	811 743
Entertainment	19 125	27 304
Hire	995 571	387 725
Insurance	2 681 077	2 116 981
Fleet	2 875 067	4 536 830
Magazines, books and periodicals	147 557	155 895
Fuel and oil	1 653 875	220 051
Postage and courier	1 316 694	986 814
Protective clothing	1 769 856	2 520 819
Software expenses	5 184 967	4 767 424
Subscriptions and membership fees	2 182 252	2 021 212
Telephone and fax	2 777 078	3 240 110
Transport and freight	2 200	10 100
Training	431 018	468 252
Travel - local	69 757	577 036
Refuse	10 022 637	9 203 870
Assets expensed	238 165	445 135
Management fees	2 742 789	1 954 448
Materials	19 728 128	12 161 652
Other expenses	1 622 282	4 235 213
	71 566 644	64 299 721

40. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Motor vehicles		
• Contractual amounts	54 503	734 504
Equipment		
• Contractual amounts	997 851	1 266 950
	1 052 354	2 001 454

Loss on sale of property, plant and equipment	(4 494 603)	(3 591 696)
Impairment on property, plant and equipment	2 291 666	17 770 539
Amortisation on intangible assets	224 168	479 962
Depreciation on property, plant and equipment	31 935 403	28 011 174
Depreciation on investment property	2 841 776	5 234 290
Employee costs	229 155 589	209 363 519

41. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No 58 of 1962) Section 10(1)(a).

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
42. Cash generated from operations		
Surplus	50 376 477	139 999 016
Adjustments for:		
Depreciation and amortisation	35 001 347	33 725 426
Loss on disposal of assets and liabilities	4 494 603	3 591 696
Impairment deficit	2 291 666	17 770 539
Debt impairment	190 487 138	174 768 705
Movements in retirement benefit assets and liabilities	2 336 638	772 832
Movements in provisions	6 953 085	3 148 870
Public contributions and donations	(39 995 423)	(129 307 117)
Other movements/changes in assets	349 520	1 733 650
Changes in working capital:		
Inventories	(287 723)	(668 705)
Receivables from exchange transactions	(19 979 282)	(25 894 487)
Consumer debtors	(190 487 138)	(174 768 705)
Other receivables from non-exchange transactions	(1 819 766)	(12 842 825)
Payables from exchange transactions	26 669 695	9 394 004
VAT	23 054 019	19 493 619
Unspent conditional grants and receipts	(8 311 122)	17 550 574
Consumer deposits	1 902 590	2 438 075
	83 036 324	80 905 167

43. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Investment property	8	169 138 507	(33 269 851)	(405 532)	135 463 124
Property, plant and equipment	9	852 474 984	4 068 604	405 532	856 949 120
		1 021 613 491	(29 201 247)	-	992 412 244

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions - interest income	21	37 148 403	-	(3 289 877)	33 858 526
Revenue from non-exchange transactions - interest income	22	-	-	3 289 877	3 289 877
Depreciation	32	37 493 910	(3 768 484)	-	33 725 426
Loss on derecognition of assets and liabilities		3 598 996	(7 300)	-	3 591 696
Surplus for the year		78 241 309	(3 775 784)	-	74 465 525

Errors

The following prior period errors adjustments occurred:

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2020

43. Prior-year adjustments (continued)

Investment property

Privately owned property included in the investment property was removed. Investment property omitted from the register was added. Land incorrectly included under investment property was transferred to property, plant and equipment. The depreciation for the year was adjusted accordingly.

Property, plant and equipment

Overstatement due to an error in the value of library books was corrected. Non-municipal assets were removed. Assets omitted were recognised. Transport assets incorrectly derecognised were reinstated. The depreciation and the loss on derecognition of assets and liabilities for the year was adjusted accordingly.

Reclassifications

The following reclassifications adjustment occurred:

Interest income

Interest received was reclassified between interest from exchange and interest from non-exchange revenue. This was to ensure fair presentation of amounts in the financial statements in terms of GRAP 1.

Discontinued Notes

During the financial year under review management decided to discontinue **Note 19 Revenue** as presented in the 2019/20 financial statements, as it was a duplication of information presented on the face of the statement of financial performance and all these revenue line items are referenced to a specific note with a detailed explanation of the amounts. Management is of the view that this does not have a negative effect on fair presentation.

During the financial year under review management decided to discontinue **Note 39 Auditor's Remuneration** as presented in the 2019/20 financial statements. This was due to it being a duplication of information already presented under **Note 38 General expenses** and **Note 54 Additional disclosure in terms of the Municipal Financial Management Act** as presented in the 2019/20 financial statements. Management is of the view that this does not have a negative effect on fair presentation.

44. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	4 092 598	4 092 598
Other receivables from non-exchange transactions	14 155 548	14 155 548
Consumer debtors	208 543 084	208 543 084
Cash and cash equivalents	55 027 571	55 027 571
	281 818 801	281 818 801

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	139 223 145	139 223 145
Unspent conditional grants and receipts	20 400 501	20 400 501
Consumer deposits	19 995 450	19 995 450
VAT payable	109 339 713	109 339 713

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44. Financial instruments disclosure (continued)

288 958 809 288 958 809

2020

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	3 926 866	3 926 866
Other receivables from non-exchange transactions	13 627 419	13 627 419
Consumer debtors	187 437 897	187 437 897
Cash and cash equivalents	70 866 072	70 866 072
	275 858 254	275 858 254

Financial liabilities

	At amortised cost	Total
Long term loans	46 596 877	46 596 877
Payables from exchange transactions	112 553 438	112 553 438
Unspent conditional grants and receipts	28 711 623	28 711 623
Consumer deposits	18 092 860	18 092 860
VAT payable	86 285 694	86 285 694
	292 240 492	292 240 492

45. Risk management

Liquidity risk

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

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

Credit risk

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

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

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

Financial instrument	2021	2020
Current account (Absa)	2 584 329	4 286 817
Current account (Absa)	80 541	50 345
Current account (FNB)	755 141	656 650
Call account (Absa)	29 581 515	39 660 153
Call account (Investec)	21 545 491	23 759 547
Trade and other receivables from exchange transactions	4 092 598	3 926 866
Receivables from non exchange transactions	14 155 548	13 627 419
Consumer debtors	208 543 084	187 437 897

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45. Risk management (continued)

Market risk

Interest rate risk

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

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46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	38 532 061	26 013 580
Total capital commitments		
Already contracted for but not provided for	38 532 061	26 013 580
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	18 437 666	45 996 897
Total operational commitments		
Already contracted for but not provided for	18 437 666	45 996 897
Total commitments		
Total commitments		
Authorised capital expenditure	38 532 061	26 013 580
Authorised operational expenditure	18 437 666	45 996 897
	56 969 727	72 010 477
Committed capital expenditure consists of:		
984 Infinite Enterprise (Pty) Ltd	5 124 073	-
Absolute Business Consultants	85 278	-
BICS Engineering and Supply (Pty) Ltd	1 454 302	-
Dwellers Trading & Projects	5 509 281	-
ECE Engineers	1 349 386	1 551 019
Khoza Trading	7 402 733	-
MK Cassidy Construction	-	937 183
MTP Aviations Solutions	7 349 392	-
Malindo Civil and Construction	1 028 880	-
Marce Projects (Pty) Ltd	-	5 319 216
Mbusokhumo Investments (Pty) Ltd	1 889 821	-
Mihandzu Consulting and Project Management	-	3 431 492
Mogatladi Trading Enterprise (Pty) Ltd	-	3 897 308
Mthembu Mvelase Civil Projects	-	7 761 994
NBN Construction (Pty) Ltd	-	2 269 070
NEP Consulting Engineers	-	740 176
Neckmay Trading Enterprises (Pty) Ltd	2 254 688	-
Nevhutalu Consulting	-	106 122
Nissan SA	178 257	-
Phambili Services	2 640 000	-
Toyota SA	199 848	-
Toyota SA	467 337	-
Toyota SA	1 598 785	-
	38 532 061	26 013 580

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

Committed operational expenditure consists of:

Bravo Span 90 CC	7 197 472	28 849 610
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Figures in Rand	2021	2020
46. Commitments (continued)		
EWC Vehicle Communication (Pty) Ltd	700 442	1 019 365
Fidelity Cash Solutions	-	429 686
GSM Neighbourhood Protection Services	51 325	165 889
I@ Consulting	-	2 807 602
Infratec Consulting (Pty) Ltd	8 651 218	-
Jenec Construction and Electrical	-	444 405
Khabokedi Waste Management (Pty) Ltd	1 837 209	4 932 074
Lateral Unison Insurance Brokers (Pty) Ltd	-	1 235 988
Legal Service Providers	-	1 579 456
Pambili Documents Solutions	-	926 967
Thembridge Support Services	-	3 570 305
Vukayimbe Trading Enterprise	-	35 550
	18 437 666	45 996 897

This committed operational expenditure relates to general expenditure and will be financed by funds internally generated.

47. Contingencies

Contingent liabilities

Claim by P Mpele against the municipality for reinstatement to position of CFO	428 000	2 606 360
Claim by P Mpele against the municipality for reinstatement to position of MM	2 932 596	2 932 596
Claim by former EPWP workers against the municipality for permanent employment	-	299 520
Litigation is in process against the municipality by a supplier for claim of payment in respect services rendered for Debt collection, electricity vending and automated meter reading	16 576 664	16 000 000
Disbursement on Mtimandze vs Lesedi	600 000	-
Litigation against the municipality by a supplier for payment of services rendered for security services	6 100 000	-
Litigation against the municipality for the provision of municipal services	300 000	-
Litigation against the municipality regarding a dispute over the closing of a street	200 000	-
Litigation against the municipality by IMATU relating to unfair labour practice	576 000	-
Contractual dispute with regards to the leasing of a property	100 000	-
	27 813 260	21 838 476

Contingent assets

Claim by the municipality against a supplier regarding a contractual dispute	25 382 304	2 500 000
Claim by the municipality against a former employee for the unlawful and fraudulent transfer of municipal property	12 435 818	12 435 818
	37 818 122	14 935 818

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48. Related parties

Relationships

Accounting Officer

Members of key management

S Dlamini (Acting)

G Mncube(Acting CFO)

G Thimane (Executive Manager: Corporate Services)

N Khawula (Executive Manager: Community Services)

T Zondi (Executive Manager: Infrastructure Services)

Related party transactions

There were no transactions with related parties during the year.

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48. Related parties (continued)

Remuneration of management

Councillors/Mayoral committee members

2021

Name	Basic salary	Pension	Medical Aid	Travelling Allowance	Cellphone Allowance	Total
Cllr LF Maloka (Executive Mayor) - resigned 19 March 2021	390 133	23 365	14 319	223 194	28 179	679 190
Cllr MNR Nkosi (Executive Mayor) - appointed 19 March 2021	137 092	-	-	86 371	10 200	233 663
Cllr MNR Nkosi (Speaker) - resigned 19 March 2021	355 751	19 809	14 319	186 565	30 600	607 044
Cllr MV Motsepe (Speaker) - appointed 19 March 2021	118 093	-	-	60 676	10 200	188 969
Cllr MV Motsepe	327 472	18 465	11 251	166 405	30 600	554 193
Cllr T Motsepe	448 694	18 912	-	221 974	40 800	730 380
Cllr TS Moremi	411 418	17 476	11 102	249 584	40 800	730 380
Cllr MK Rakitla	411 418	17 476	11 102	249 584	40 800	730 380
Cllr TE Ramothibe	449 116	18 924	-	221 540	40 800	730 380
Cllr ZS Twala	254 558	7 985	-	144 488	40 800	447 831
Cllr SJ Mnyakeni	214 046	9 050	9 184	144 699	40 800	417 779
Cllr MS Lukhele	171 637	13 773	5 764	109 115	40 800	341 089
Cllr TJ Gama	193 173	8 201	10 575	81 801	40 800	334 550
Cllr Malafela	278 095	9 891	5 764	-	40 800	334 550
Cllr HACS Paul	152 348	6 510	11 308	123 584	40 800	334 550
Cllr RS Hlatshwayo	191 679	7 985	-	94 086	40 800	334 550
Cllr MP Mtshonyane	150 057	6 424	11 966	125 303	40 800	334 550
Cllr TP Nyembe	283 107	10 643	-	-	40 800	334 550
Cllr BV Mogorosi	279 305	10 073	4 372	-	40 800	334 550
Cllr MI Abdullah	279 305	10 073	4 372	-	40 800	334 550
Cllr MA Mulder	169 861	7 168	6 275	110 446	40 800	334 550
Cllr JM Sabasaba	283 107	10 643	-	-	40 800	334 550
Cllr M Boshoff	165 772	7 014	7 448	113 516	40 800	334 550
Cllr PR Mchunu	176 472	7 415	4 372	105 491	40 800	334 550
Cllr LS Gamede	206 887	-	-	86 863	40 800	334 550
Cllr GC Holtzhausen	191 679	7 985	-	94 086	40 800	334 550
Cllr TN Mofokeng	153 778	6 565	10 899	122 508	40 800	334 550
Cllr EM Magazi	171 637	7 234	5 764	109 115	40 800	334 550
Cllr NE Cindi - appointed 19 March 2021	61 401	-	-	19 500	11 669	92 570
	7 077 091	289 059	160 156	3 250 494	1 059 848	11 836 648

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48. Related parties (continued)

2020

Name	Basic salary	Pension	Medical Aid	Travelling Allowance	Cellphone Allowance	Total
Cllr LF Maloka (Executive Mayor)	513 649	77 047	53 908	214 868	40 800	900 272
Cllr MNR Nkosi (Speaker)	411 500	61 725	53 908	160 443	40 800	728 376
Cllr T Motsepe	420 393	63 059	-	161 151	40 800	685 403
Cllr MV Motsepe	414 243	62 137	32 857	135 366	40 800	685 403
Cllr TS Moremi	383 423	57 513	42 516	161 151	40 800	685 403
Cllr MK Rakitla	383 423	57 513	42 516	161 151	40 800	685 403
Cllr TE Ramothibe	420 393	63 059	-	161 151	40 800	685 403
Cllr SJ Mnyakeni	196 945	29 542	35 305	87 264	40 800	389 856
Cllr MS Lukhele	158 111	23 717	22 158	68 004	40 800	312 790
Cllr TJ Gama	177 510	26 626	40 655	27 199	40 800	312 790
Cllr M Malafela	217 245	32 587	22 158	-	40 800	312 790
Cllr HACS Paul	139 735	20 960	43 297	67 998	40 800	312 790
Cllr RS Hlatshwayo	177 384	26 608	-	67 998	40 800	312 790
Cllr MP Mtshonyane	137 381	20 607	46 004	67 998	40 800	312 790
Cllr TP Nyembe	236 513	35 477	-	-	40 800	312 790
Cllr BV Mgorosi	221 897	33 285	16 808	-	40 800	312 790
Cllr MI Abdullah	236 513	35 477	-	-	40 800	312 790
Cllr MA Mulder	156 170	23 426	24 386	68 008	40 800	312 790
Cllr JM Sabasaba	236 513	35 477	-	-	40 800	312 790
Cllr ZS Twala	163 834	24 575	15 583	67 998	40 800	312 790
Cllr M Boshoff	152 216	22 832	28 944	67 998	40 800	312 790
Cllr PR Mchunu	162 768	24 415	16 808	67 999	40 800	312 790
Cllr LS Gamede	203 992	-	-	67 998	40 800	312 790
Cllr GC Holtzhausen	177 384	26 608	-	67 998	40 800	312 790
Cllr TN Mofokeng	141 131	21 170	41 681	68 008	40 800	312 790
Cllr EM Magazi	158 111	23 717	22 158	68 004	40 800	312 790
	6 398 377	929 159	601 650	2 085 753	1 060 800	11 075 739

Management class: Executive management

*Refer to note 30 "Employee related costs"

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49. 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.

50. Events after the reporting date

Interest charged by Eskom during the 2020/21 financial year amounting to R39,939 was reversed during July 2021. The financial statements have been adjusted accordingly.

51. Unauthorised expenditure

Opening balance as previously reported	212 338 703	166 177 454
Opening balance as restated	212 338 703	166 177 454
Add: Expenditure identified - current	22 369 422	46 161 249
Closing balance	234 708 125	212 338 703

Unauthorised expenditure identified in the current year consists of expenditure incurred in the following departments: Infrastructure (R19,221,268), Executive and Council (R3,121,241) and Management and Support Services (R26,913).

52. Fruitless and wasteful expenditure

Opening balance as previously reported	14 817 310	12 945 384
Opening balance as restated	14 817 310	12 945 384
Add: Expenditure identified - current	39 564	4 394
Add: Expenditure identified - prior period	-	1 867 532
Closing balance	14 856 874	14 817 310

Fruitless and wasteful expenditure identified include those listed below:

Eskom	24 761	1 669
City of Ekurhuleni	3 958	2 724
Balju Sheriff	10 845	-
Makgotamishe Building Construction	-	1 867 532
	39 564	1 871 925

Fruitless and wasteful expenditure identified in the current period consists of interest and penalties on late allocation of payments made. Fruitless and wasteful expenditure identified in the prior period consists of interest and penalties on late payments and costs incurred on the mayoral house.

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53. Irregular expenditure		
Opening balance as previously reported	279 226 002	269 316 478
Opening balance as restated	279 226 002	269 316 478
Add: Irregular Expenditure - current	14 481 206	9 909 524
Closing balance	293 707 208	279 226 002
Irregular expenditure identified include those listed below:		
Actophambili Roads (Pty) Ltd	-	275 830
Asatico Civil and Construction	-	1 059 897
Batho Bantso Trading	-	88 750
Bidvest Steiner	123 434	20 295
BMG Industries	1 086 750	-
Cochrane Projects (Pty) Ltd	-	55 522
Combined Private Investigations	-	4 074 844
Emanteni Engineering	198 860	-
Endiphase	-	332 240
Focus Forms	791 679	404 968
Gaborena Construction and Project Services	-	16 359
Heios Investment (Pty) Ltd	1 632 575	-
Jenec Construction and Electrical	4 857 114	-
Khasonto Holdings	115 000	-
Khoza Trading	941 474	-
Magic Labour Hire and Security Services	-	966 643
Makgopeng Construction	-	395 225
Malaka Supplies	129 950	-
Maximum Profit	-	534 817
Mayehlome Communications	303 830	-
Mega Roads and Civils	-	109 883
Mendi Trading and Investments	231 769	-
Micro Alert CC	46 373	25 287
Mukulu Library Furniture Manufacturers	122 376	-
Nkinane Training Institute and Consulting (Pty) Ltd	-	186 458
Pambili Documents Solutions	312 031	-
Phileza Tyres	371 944	-
Quidity CC	-	149 090
Shandukani Technologies	42 000	-
Singa Tel (Pty) Ltd	366 538	318 947
Suikerbos Motors	1 712 800	-
Supplycor CC	-	70 639
Thembridge Support Services	831 410	-
Tyre Mart Heidelberg	-	133 447
Vox Telecommunications	-	636 428
Vukayibambe Trading Enterprise	39 968	-
Webb Industries	55 753	53 955
Xihlarmariso Logistics	167 578	-
	14 481 206	9 909 524

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54. Deviation from supply chain management regulations

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

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

Twenty procurements (spread over 12 companies), noted below, were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number	Value
Emergency [S36(1)(a)(i)]	5 Companies	R1,539,365
Sole Supplier [S36(1)(a)(ii)]	2 Companies	R 192,246
Impractical to follow SCM [S36(1)(a)(v)]	5 Companies	R1,157,905

55. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	3 866 998	4 001 730
Amount paid - current year	(3 866 998)	(4 001 730)
	-	-

PAYE and UIF

Current year subscription / fee	33 675 597	28 518 113
Amount paid - current year	(33 675 597)	(28 518 113)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	57 079 481	52 773 302
Amount paid - current year	(57 079 481)	(52 773 302)
	-	-

VAT

VAT receivable	(109 339 713)	(86 285 694)
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All VAT returns have been submitted by the due date throughout the year.

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
SJ Sibaya	2 491	54 819	57 310
TP Nyembe	1 672	406	2 078
MM Skosana	1 717	5 040	6 757
	5 880	60 265	66 145

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
M Boshoff	1 808	-	1 808
MM Skosana	1 645	12 064	13 709
	3 453	12 064	15 517

56. Budget differences

Material differences between budget and actual amounts

Explanation for the variances between the budget and actual amounts:

Statement of Financial Performance

1. Service charges - Variance is due to lower consumption of services which is often influenced by weather conditions, more rain less water demand, higher temperatures less electricity consumption.
2. Interest received - Higher cash and debtor balances.
3. Recoveries - Claims higher than anticipated.
4. Other income - Minor revenue sources, budget conservative.
5. Government grants and subsidies - Delay in implementation, leading to unspent at year end.
6. Public contributions and donations - Donations of bulk infrastructure not budgeted for.
7. Fines, penalties and forfeits - No service provider for traffic fines.
8. Lease rentals on operating lease - Service provider for copy machines not appointed.
9. Debt impairment - Debtors collection rate lower than anticipated.
10. Bulk purchases - Consumption lower than anticipated.
11. Contracted services - Cost containment measures.
12. General expenses - Cost containment measures.
13. Loss on derecognition of assets and liabilities - Assets derecognised as a result of asset verification.

Statement of Financial Position

14. Cash and cash equivalents - Unspent grants and cash management.
15. Receivables from exchange transactions - Receivables lower than budgeted.
16. Receivables from non-exchange transactions - Receivables higher than budgeted.
17. Payables from exchange transactions - Payables higher than anticipated due to increased costs.
18. VAT payable - VAT accrued higher than anticipated.
19. Unspent conditional grants and receipts - Unspent WSIG, Covid-19 and libraries grants.
20. Long term loans - Long term portion lower than budgeted.

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57. Distribution losses

Electricity

	Units (2020/21)	Amount (2020/21)	Percentage (2020/21)	Units (2019/20)	Amount (2019/20)	Percentage (2019/20)
Technical losses	11 428 341	10 817 482	5.20	11 368 293	9 946 008	5.20
Non-technical losses	54 473 142	51 561 485	24.79	29 618 143	25 912 624	13.55
	65 901 483	62 378 967	29.99	40 986 436	35 858 632	18.75

Water

	Units (2020/21)	Amount (2020/21)	Percentage (2020/21)	Units (2019/20)	Amount (2019/20)	Percentage (2019/20)
Technical losses	447 752	4 521 477	5.54	434 270	4 362 809	5.54
Non-technical losses	2 820 431	28 481 175	33.88	2 075 576	20 851 895	25.67
	3 268 183	33 002 652	39.42	2 509 846	25 214 704	31.21

Non technical losses for electricity includes own use of 1.46% (R3,032,889) and loss due to illegal connections of 23.33% (R48,528,596).

Non technical losses for water includes own use of 0.50% (R418,891).

58. Segment information

General information

Identification of segments

The management of the municipality, having taken into account the information available, have concluded that the municipality does not have separately identifiable segments.