



Greater Letaba Municipality
Annual financial statements
for the year ended 30 June 2021

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area.
Mayoral committee	
Executive committee	Hon Cllr MP Matlou (Mayor) Hon Cllr MD Makhananisa (Speaker) Cllr PJ Mampeule (Chief Whip) Cllr ND Modiba (Finance) Cllr MM Nkwana (Corporate and shared Services) Cllr MR Mosila (Infrastructure) Cllr TJ Rababalela (Water and Sanitation Services) Cllr MP Masela (Economic Development) Cllr MG Selowa (Community Services) Cllr EM Mathaba (Public Transport and Roads) Cllr MB Maenetja (Agriculture and Environment) Cllr SM Rasetsoke (Sports, Arts and Culture)
Councillors	Cllr MV Mangoro Cllr DG Rabothata Cllr SS Malatji Cllr V Nkuna Cllr MA Lebepe Cllr PJ Mohale Cllr MS Kgatla Cllr ME Ralefatane Cllr MV Rampedi Cllr KE Ramaano Cllr ME Masedi Cllr S Selamolela Cllr NF Lebeko Cllr PW Selema Cllr MP Ngobeni Cllr MM Mankgero Cllr M Ramoba Cllr MP Monaiwa Cllr R Rathaha Cllr KB Monyela Cllr MP Mokomene Cllr ME Ramabela Cllr N Selowa Cllr BE Ngobeni Cllr NL Seshoka Cllr SJ Hlungwani Cllr MF Hlapane Cllr RG Baloyi Cllr MR Maake Cllr GH Modjadji Cllr M Mathedimosa Cllr MEC Ndobela Cllr ZT Maluleke Cllr TJ Senyolo

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

	Cllr SB Rampyapedi Cllr MM Selomo Cllr SL Mohale Cllr R Motsinone Cllr MC Rasetsoke Cllr MI Manyama (MPAC Chairperson) Cllr TJ Kgapane Cllr PP Ralepatana Cllr ML Ramalobela Cllr D Raphokwana Cllr DG Rabothata Cllr MJ Mohale Cllr DD Ramaselele Cllr SP Moshole Cllr MS Rapitsi Cllr MS Mokhabukhi
Grading of local authority	Category 3 Local Municipality in terms of Remuneration of public Office Bearers Act (Act 20 of 1998)
Audit committee	Adv. MM Makgale (Chairperson) Ms FJ Mudau Ms MJ Mojabelo Mr TW Sebola Mr R Raphalalani
Chief Finance Officer (CFO)	Ms TM Mathabatha
Accounting Officer	Mrs MF Mankgabe
Registered office	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Business address	Civic Centre 44 Botha Street Modjadjiskloof Limpopo
Postal address	PO Box 36 Modjadjiskloof 0835
Bankers	First National Bank
Auditors	Auditor General of South Africa
Enabling Legislations	Division of Revenue Act (Act 3 of 2016) Local Government Municipal Finance Management Act (Act 56 of 2003) Municipal Property Rates Act (Act 6 of 2000) Local Government Municipal System Act (Act 32 of 2000) Government Municipal Structures Act (Act 117 of 1998)

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

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CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers.
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MPAC	Municipal Public Accounts Committee
SDL	Skills Development Levy
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
UIF	Unemployment Insurance Fund
WCA	Workers Compensation Assistance
PAYE	Pay-as-you-Earn

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

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 she 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, she 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.

The annual financial statements set out on page 5, 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:



Mrs MF Mankgaba
Municipal Manager

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community mainly in the Greater Letaba area, and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 984,326,595 and that the municipality's total assets exceed its total liabilities by R 984,326,595.

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

None have been identified.

5. Accounting policies


The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

6. Accounting Officer

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

Name
Mrs MF Mankgabe

The annual financial statements set out on page 5, 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:



Mrs MF Mankgabe
Municipal Manager

Greater Letaba Municipality

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			
Inventories	7	7,237,386	6,402,663
Receivables from exchange transactions	8	11,209,055	14,118,843
Receivables from non-exchange transactions	9	5,897,905	11,561,614
VAT receivable	10	-	2,259,643
Consumer debtors	11	15,008,520	14,582,200
Cash and cash equivalents	12	4,184,142	911,833
		43,537,008	49,836,796
Non-Current Assets			
Investment property	2	205,568	213,057
Property, plant and equipment	3	1,033,486,383	962,886,741
Intangible assets	4	53,019	88,924
Heritage assets	5	548,500	548,500
		1,034,293,470	963,737,222
Total Assets		1,077,830,478	1,013,574,018
Liabilities			
Current Liabilities			
Finance lease obligation	46	1,378,367	-
Payables from exchange transactions	14	70,895,013	80,507,421
VAT payable	15	2,427,996	-
Consumer deposits	16	387,948	384,985
Employee benefit obligation	6	487,126	812,078
		75,576,450	81,704,484
Non-Current Liabilities			
Finance lease obligation	46	1,649,236	-
Employee benefit obligation	6	16,278,197	12,983,317
		17,927,433	12,983,317
Total Liabilities		93,503,883	94,687,801
Net Assets		984,326,595	918,886,217
Accumulated surplus		984,326,595	918,886,217
Total Net Assets		984,326,595	918,886,217

* See Note 48

Greater Letaba Municipality
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand

	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges			
Rental of facilities and equipment	18	21,290,797	20,798,409
Interest received - outstanding receivables	19	225,820	81,382
Agency services		4,238,871	5,555,733
Licences and permits	21	3,398,150	2,010,150
Other income	22	3,611,983	2,296,227
Interest received - investment	23	762,222	1,076,247
Total revenue from exchange transactions	24	1,828,957	1,710,717
		35,356,800	33,528,865
Revenue from non-exchange transactions			
Taxation revenue			
Property rates			
Interest - Property Rates	25	13,830,617	14,713,311
		1,833,232	4,702,051
Transfer revenue			
Government grants & subsidies			
Fines, Penalties and Forfeits	26	428,414,000	348,814,989
Total revenue from non-exchange transactions	20	183,750	432,846
		444,261,599	368,663,197
Total revenue	17	479,618,399	402,192,062
Expenditure			
Employee related costs			
Remuneration of councillors	29	124,601,604	111,777,445
Depreciation and amortisation	30	23,654,949	22,713,915
Finance costs	31	36,905,574	33,856,276
Debt impairment	47	70,929	20,825
Bulk purchases	32	59,754,015	119,294,104
Contracted services	33	14,911,679	15,127,354
General Expenses	27	87,457,853	62,761,872
Total expenditure	28	67,785,318	62,515,083
		415,141,921	428,066,874
Operating surplus (deficit)		64,476,478	(25,874,812)
Gain on disposal of assets and liabilities		963,882	-
Surplus (deficit) for the year		65,440,360	(25,874,812)

* See Note 48

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	944,761,029	944,761,029
Changes in net assets		
Surplus for the year	(25,874,812)	(25,874,812)
Total changes	(25,874,812)	(25,874,812)
Restated* Balance at 01 July 2020	918,886,235	918,886,235
Changes in net assets		
Surplus for the year	65,440,360	65,440,360
Total changes	65,440,360	65,440,360
Balance at 30 June 2021	984,326,595	984,326,595
Note(s)		

* See Note 48

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		15,470,396	11,990,662
Grants		428,414,000	348,810,115
Interest income		1,828,957	1,710,717
Other Income		3,551,288	3,599,384
		<u>449,264,641</u>	<u>366,110,878</u>
Payments			
Employee costs		(142,521,024)	(134,266,580)
Suppliers		(199,882,237)	(146,201,023)
		<u>(342,403,261)</u>	<u>(280,467,603)</u>
Net cash flows from operating activities	35	106,861,380	85,643,275
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(104,167,653)	(87,739,696)
Proceeds from sale of property, plant and equipment	3	1,773,859	-
Net cash flows from investing activities		(102,393,794)	(87,739,696)
Cash flows from financing activities			
Finance lease payments		(1,195,277)	(411,321)
Net increase/(decrease) in cash and cash equivalents		3,272,309	(2,507,742)
Cash and cash equivalents at the beginning of the year		911,833	3,419,575
Cash and cash equivalents at the end of the year	12	4,184,142	911,833

* See Note 48

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (See explanations below)
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26,160,678	(4,030,352)	22,130,326	21,290,797	(839,529)	1
Rental of facilities and equipment	156,750	(20,425)	136,325	225,820	89,495	2
Interest received (trading)	10,687,728	(5,150,000)	5,537,728	4,238,871	(1,298,857)	3
Agency services	14,886,123	(384,933)	14,501,190	3,398,150	(11,103,040)	4
Licences and permits	15,595,855	4,180	15,600,035	3,611,983	(11,988,052)	5
Other income	21,636,106	(19,011,000)	2,625,106	762,222	(1,862,884)	6
Interest received - investment	2,010,256	(783,870)	1,226,386	1,828,957	602,571	7
Total revenue from exchange transactions	91,133,496	(29,376,400)	61,757,096	35,356,800	(26,400,296)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18,538,486	5,063,503	23,601,989	13,830,617	(9,771,372)	8
Interest - Property Rates	-	2,266,230	2,266,230	1,833,232	(432,998)	
Transfer revenue						
Government grants & subsidies	369,632,000	59,484,000	429,116,000	428,414,000	(702,000)	9
Fines, Penalties and Forfeits	86,286	(39,260)	47,026	183,750	136,724	10
Total revenue from non-exchange transactions	388,256,772	66,774,473	455,031,245	444,261,599	(10,769,646)	
Total revenue	479,390,268	37,398,073	516,788,341	479,618,399	(37,169,942)	
Expenditure						
Personnel	(124,571,000)	3,387,000	(121,184,000)	(124,601,604)	(3,417,604)	11
Remuneration of councillors	(25,155,137)	(736,606)	(25,891,743)	(23,654,949)	2,236,794	12
Depreciation and amortisation	(13,023,088)	23,088	(13,000,000)	(36,905,574)	(23,905,574)	13
Finance costs	-	-	-	(70,929)	(70,929)	
Debt Impairment	(2,150,991)	1,381,072	(769,919)	(59,754,015)	(58,984,096)	14
Bulk purchases	(19,389,506)	1,960,000	(17,429,506)	(14,911,679)	2,517,827	15
Contracted Services	(94,736,753)	1,991,000	(92,745,753)	(87,457,853)	5,287,900	16
General Expenses	(81,326,000)	(13,018,000)	(94,344,000)	(67,785,318)	26,558,682	17
Total expenditure	(360,352,475)	(5,012,446)	(365,364,921)	(415,141,921)	(49,777,000)	
Operating surplus	119,037,793	32,385,627	151,423,420	64,476,478	(86,946,942)	
Gain on disposal of assets and liabilities	634,319	-	634,319	963,882	329,563	
Surplus before taxation	119,672,112	32,385,627	152,057,739	65,440,360	(86,617,379)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	119,672,112	32,385,627	152,057,739	65,440,360	(86,617,379)	

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (See explanations below)
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	(17,202,137)	11,036,000	(6,166,137)	7,237,386	13,403,523	
Receivables from exchange transactions	-	-	-	11,209,055	11,209,055	
Receivables from non-exchange transactions	20,836,000	(9,508,893)	11,327,107	5,897,905	(5,429,202)	
Consumer debtors	84,761,000	92,773,000	177,534,000	15,008,520	(162,525,480)	
Cash and cash equivalents	303,413,256	(295,068,330)	8,344,926	4,184,142	(4,160,784)	
	391,808,119	(200,768,223)	191,039,896	43,537,008	(147,502,888)	

Non-Current Assets

Investment property	-	213,057	213,057	205,568	(7,489)	
Property, plant and equipment	106,390,902	990,171,000	1,096,561,902	1,033,486,383	(63,075,519)	
Intangible assets	-	88,935	88,935	53,019	(35,916)	
Heritage assets	-	548,500	548,500	548,500	-	
	106,390,902	991,021,492	1,097,412,394	1,034,293,470	(63,118,924)	
Total Assets	498,199,021	790,253,269	1,288,452,290	1,077,830,478	(210,621,812)	

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	1,378,367	1,378,367	
Payables from exchange transactions	378,527,000	(263,744,000)	114,783,000	70,895,013	(43,887,987)	
VAT payable	-	-	-	2,427,996	2,427,996	
Consumer deposits	-	385,000	385,000	387,948	2,948	
Employee benefit obligation	-	4,356,224	4,356,224	487,126	(3,869,098)	
	378,527,000	(259,002,776)	119,524,224	75,576,450	(43,947,774)	

Non-Current Liabilities

Finance lease obligation	-	-	-	1,649,236	1,649,236	
Employee benefit obligation	-	9,926,000	9,926,000	16,278,197	6,352,197	
	-	9,926,000	9,926,000	17,927,433	8,001,433	

Total Liabilities	378,527,000	(249,076,776)	129,450,224	93,503,883	(35,946,341)	
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Net Assets	119,672,021	1,039,330,045	1,159,002,066	984,326,595	(174,675,471)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	119,672,021	1,039,330,045	1,159,002,066	984,326,595	(174,675,471)	
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1. The difference is as a result of the increase in annual tariffs and taxes.
2. The municipality collected more as result of more bookings of municipal plant and other facilities.
3. The municipality did not charge interest in the first four months.
4. The municipality collected less as expected due to covid 19 lock down regulations.
5. The reason for the decline is because low collection of revenue and the public not willing to make payment on tickets and also permits not renewed due to covid grace periods.

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (See explanations below)
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Figures in Rand

6. Less collection were received in the current year due to covid regulations restrictions.
7. The difference relates to the Interest that was received from the FNB investment account.
8. Additional revenue anticipated could not be realised due to lockdown and clients not making regular payments.
9. The decrease was as a result of Treasury not funding fully our budget request.
10. More fines charged than anticipated and less payments done by the vehicle owners.
11. The variance is due to the municipality not filling vacants posts and reduced activities as a result of covid lockdown regulations.
12. The decrease is because reduction of the municipal activities that involve councillors due to covid regulations.
13. Depreciation is higher as a result of an increase in assets procured.
14. The negative variance is caused by increase and continuation of debtors not clearing their accounts due to financial difficulties enduced by covid.
15. Due to transition to prepaid meters users monitored their households usage and also illegal connections were reduced.
16. The actual expenditure is below the budget. The variance is as a result of reclassification of votes and type of goods and services due to mSCOA compliance.
17. The acual costs are less than the budget as a result of covid regulations which reduced certain expenditures such as travel and subsistence.

Greater Letaba Municipality
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (See explanations below)
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Figures in Rand

The accounting policies on pages 14 to 42 and the notes on pages 43 to 75 form an integral part of the annual financial statements.

Greater Letaba Municipality

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

- GRAP - 1 Presentation of Financial Statements
- GRAP - 2 Cashflow Statements
- GRAP - 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP - 5 Borrowing Costs
- GRAP - 9 Revenue from Exchange Transactions
- GRAP - 12 Inventories
- GRAP - 13 Leases
- GRAP - 14 Events after the reporting date
- GRAP - 17 Property Plant and Equipment
- GRAP - 18 Segment Reporting
- GRAP - 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP - 20 Related Party Disclosures
- GRAP - 21 Impairment of Non-Cash Generating Assets
- GRAP - 23 Revenue from Non-exchange Transactions
- GRAP - 24 Presentation of Budget Information in Financial Statements
- GRAP - 25 Employee Benefits
- GRAP - 31 Intangible Assets
- GRAP -103 Heritage Assets
- GRAP -104 Financial Instruments
- GRAP -108 Statutory Receivables
- GRAP -109 Accounting by Principals and Agents

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality.

- GRAP - 25 Employee Benefits (Revised)
- GRAP -104 Financial Instruments (Revised)

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

Greater Letaba Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The municipality assesses its trade 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.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

The Municipality has defined benefit plan. 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.

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Greater Letaba Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Debtors impairment

Consumer debtors

The provision for impairment is measured per individual debtors using the recoverability rate per debtors. The municipality provide for debtors excluding government debtors and debtors with credit balances. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Traffic fines debtors

The provision for impairment is measured with reference to the recoverability rate.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationship. The modified cash basis of accounting is applied when a accounting for the payments on behalf of the principal. Expenses are only debited to loan account when they are paid on behalf of the principal not when they are accrued.

Additional information is disclosed in Note 45.

1.4 Investment property

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

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

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

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

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

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

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

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 over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

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.

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	10-30
Leasehold assets	Straight-line	3
Infrastructure	Straight-line	5-100
Other assets	Straight-line	2-15

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

Greater Letaba Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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Accounting Policies

1.6 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5

1.7 Heritage assets

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.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a 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).

1.8 Financial instruments

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

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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Accounting Policies

1.8 Financial instruments (continued)

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

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

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.

Initial recognition

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

The 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.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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Accounting Policies

1.8 Financial instruments (continued)

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

Reclassification

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

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

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

Financial assets measured at amortised cost:

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

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Accounting Policies

1.8 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

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

Financial liabilities

Greater Letaba Municipality

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Accounting Policies

1.8 Financial Instruments (continued)

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

Presentation

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

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

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.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that can be readily converted to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently received at fair value.

1.10 Tax

Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 as announced by the minister of Finance) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The municipality accounts for Value added tax on accrual basis.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

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Accounting Policies

1.12 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the 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.

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Greater Letaba Municipality

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Accounting Policies

1.13 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.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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Accounting Policies

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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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Accounting Policies

1.14 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.

Redesignation

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

1.15 Employee benefits

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

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

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

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.

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which 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.

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

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

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

Greater Letaba Municipality

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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Greater Letaba Municipality

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Accounting Policies

1.15 Employee benefits (continued)

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.

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Greater Letaba Municipality

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Accounting Policies

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 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.

Greater Letaba Municipality

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Accounting Policies

1.17 Commitments (continued)

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.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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.

Service charges

Flat rate service charges relating to electricity which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- 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;

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis 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 containers are emptied during the month.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Greater Letaba Municipality

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Interest income

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

Agency Services

Income for 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.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.19 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

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

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

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

Property Rates (including collection charges and penalty interest)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to property.

Gain/ Loss on assets:

Gain/ loss on assets are recognised in the on the statement of financial performance as revenue from non-exchange transaction or non-cash expenditure

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Government grants, subsidies and transfers

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

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

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

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the further of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position.

Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions a recipient may be required to use the transferred asset for a particular purpose. However the difference between a restriction and a condition is that a condition has an additional requirement which states that the asset or its future economic benefits or service potential should be returned to the transferor should the recipient not use the asset for the particular purpose stipulated.

When conditions are attached to a transferred asset, the municipality incurs a liability. The municipality has a present obligation comply with the conditions of the asset or to return the economic benefits or service potential of the asset to the transferor when the conditions are not met. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability.

Restrictions on transferred assets arise when there is an expectation and/or understanding about the particular way that the assets will be used. However, there is no requirement that the transferred asset, or future economic benefits or service potential are to be returned to the transferor if the assets are not used as per the expectation or understanding. Thus, initially gaining control of an asset with restrictions does not impose a present obligation on the recipient and consequently no liability is recognised. Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

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.

1.20 Investment income

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

1.21 Borrowing costs

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

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

Greater Letaba Municipality

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Accounting Policies

1.22 Comparative figures

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

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

1.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful 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. Fruitless and wasteful expenditure is also disclosed on the notes. It get de-recognised when condoned by the Council

1.25 Irregular expenditure

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

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

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

Irregular expenditure 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.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

Accounting Policies

1.26 Budget information (continued)

The municipality consider all variances which are +-10% to be material and explanations are provided for them. Comparative information is not required.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

Close members of the family of a person are 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.

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

1.28 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.

1.29 Investments

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

Investments in securities

Accounting Policies

1.30 Conditional grants and receipts

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

1.31 Expenditure

Expenditure is recognised as an expense when it is incurred (Accrual basis).

Greater Letaba Municipality

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	2021	2020
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2. Investment property

	2021		2020			
Investment property	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	480,511	(274,943)	205,568	480,511	(267,454)	213,057

Reconciliation of investment property - 2021

Investment property

Opening balance	213,057	Depreciation	(7,489)	Total	205,568
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Reconciliation of investment property - 2020

Investment property

Opening balance	222,024	Depreciation	(8,967)	Total	213,057
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:
Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

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2. Investment property (continued)

- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Greater Letaba Municipality

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3. Property, plant and equipment

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33,830,077	-	33,830,077	33,830,077	-	33,830,077
Buildings	253,090,181	(69,321,334)	183,768,847	231,436,198	(61,461,418)	169,974,780
Leasehold property	4,151,951	(1,145,104)	3,006,847	-	-	-
Infrastructure	714,913,834	(138,729,006)	576,184,828	637,860,269	(111,029,464)	526,830,805
Other assets	72,476,720	(41,428,337)	31,048,383	69,313,847	(42,407,730)	26,906,117
WIP - Infrastructure	73,832,631	-	73,832,631	73,334,268	-	73,334,268
WIP - Buildings	131,814,770	-	131,814,770	132,010,694	-	132,010,694
Total	1,284,110,164	(250,623,781)	1,033,486,383	1,177,785,353	(214,898,612)	962,886,741

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	33,830,077	-	-	-	-	-	33,830,077
Buildings	169,974,780	45,747	-	21,566,710	(7,764,687)	(53,703)	183,768,847
Leasehold property	-	4,151,951	-	-	(1,145,104)	-	3,006,847
Infrastructure	526,830,805	400,161	(242,154)	71,290,775	(20,697,885)	(1,396,874)	576,184,828
Other assets	26,906,117	10,508,871	(619,985)	52,950	(5,283,678)	(515,892)	31,048,383
WIP - Infrastructure	73,334,268	60,741,318	-	(60,242,955)	-	-	73,832,631
WIP - Buildings	132,010,694	32,471,556	-	(32,667,480)	-	-	131,814,770
	962,886,741	108,319,604	(862,139)	-	(34,891,354)	(1,966,469)	1,033,486,383

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	33,830,077	-	-	-	-	33,830,077
Buildings	174,599,449	14,955	2,468,019	(7,044,331)	(63,312)	169,974,780
Leasehold property	335,830	-	-	(335,830)	-	-
Infrastructure	521,711,727	1,591,291	24,095,353	(19,523,154)	(1,044,412)	526,830,805
Other assets	31,027,772	1,688,938	-	(5,452,689)	(357,904)	26,906,117
WIP - Infrastructure	41,217,380	55,930,958	(23,814,070)	-	-	73,334,268
WIP - Buildings	106,367,221	28,513,554	(2,749,295)	-	(120,786)	132,010,694
	909,089,456	87,739,696	7	(32,356,004)	(1,586,414)	962,886,741

The following projects are taking long to complete due to various reasons

Project description	Carrying Amount 30 June 2021	Start Date	Planned Completion date	Revised Completion date	Reason for delay
WIP26 - ROTTERDAM SPORTS COMPLEX	33,251,807	19 June 2017	30 June 2021	30 September 2021	Contractor penalised due to delays in project completion
WIP51 - UPGRADING KGAPANE STADIUM	33,260,876	26 October 2017	25 October 2019	30 September 2021	Budgetary constraints limited us to implement over one financial year, thus rolled-over multi-financial years
WIP59 - THAKGALENE SPORT COMPLEX	25,784,520	10 September 2018	10 March 2021	30 June 2022	Budgetary constraints limited us to implement over one financial year, thus rolled-over multi-financial years
WIP53 - MADUMELENG SHOTONG SPORTS COMPLEX	27,637,803	10 September 2018	10 March 2021	30 June 2022	Budgetary constraints limited us to implement over one financial year, thus rolled-over multi-financial years

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4. Intangible assets

	2021	2020			
Cost / Valuation	Accumulated amortisation and accumulated impairment	Accumulated amortisation and accumulated impairment	Carrying value		
88,935	(35,916)	53,019	133,822	(44,898)	88,924

Computer software, other

Reconciliation of intangible assets - 2021

Opening balance	88,924	Amortisation	(35,905)	Total	53,019
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Computer software, other

Reconciliation of intangible assets - 2020

Opening balance	133,822	Amortisation	(44,898)	Total	88,924
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Computer software, other

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5. Heritage assets

	2021		2020			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Waterfall picnic site	103,000	-	103,000	103,000	-	103,000
Historical monuments and statues	190,500	-	190,500	190,500	-	190,500
Mayoral gold chain	195,000	-	195,000	195,000	-	195,000
Paintings	60,000	-	60,000	60,000	-	60,000
Total	548,500	-	548,500	548,500	-	548,500

Reconciliation of heritage assets 2021

Waterfall picnic site
Historical monuments and statues
Mayoral gold chain
Paintings

Opening balance	Total
103,000	103,000
190,500	190,500
195,000	195,000
60,000	60,000
548,500	548,500

Reconciliation of heritage assets 2020

Waterfall picnic site
Historical monuments and statues
Mayoral gold chain
Paintings

Opening balance	Total
103,000	103,000
190,500	190,500
195,000	195,000
60,000	60,000
548,500	548,500

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5. Heritage assets (continued)

Pledged as security

No carrying value of heritage assets were pledged as security

6. Employee benefit obligations

Defined benefit plans

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

Carrying value

Defined benefit obligation - Post retirement medical plan	(12,180,000)	(9,439,171)
Defined benefit obligation - Long service awards	(4,585,323)	(4,356,224)
	(16,765,323)	(13,795,395)
Non-current liabilities	(16,278,197)	(12,983,317)
Current liabilities	(487,126)	(812,078)
	(16,765,323)	(13,795,395)

Post retirement benefit plan

6.1 Post retirement medical aid plan

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2021.

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

Present value of the defined benefit obligation unfunded	12,180,000	9,439,171
Non-Current Liabilities	16,278,197	12,983,317
Current Liabilities	487,126	812,078
	16,765,323	13,795,395

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

Opening balance	9,439,171	9,257,717
Benefits paid	(109,225)	(101,167)
Net expense recognised in the statement of financial performance	2,850,054	282,621
	12,180,000	9,439,171

Net expense recognised in the statement of financial performance

Current service cost	827,910	844,560
Adjustment	91,886	17,577
Interest cost	1,059,210	897,258
Actuarial (gains) losses	871,048	(1,476,774)
	2,850,054	282,621

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6. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	871,048	(1,476,774)
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.59 %	11.18 %
Medical aid contribution	7.13 %	7.14 %
Average retirement age	62	62

The basis on which the medical aid inflation rate has been determined is as follows:

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

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

The basis on which the discount rate has been determined is as follows:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.18% per annum has been used. The corresponding index-linked yield at this term is 4.77%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

These rates were calculated by using a liability-weighted average of the yields for the two components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

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6. Employee benefit obligations (continued)

Other assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue:

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

	2021	2020	2019	2018	2017
	R	R	R	R	R
Defined benefit obligation	12,180,000	9,439,171	9,257,717	9,547,636	9,200,742
Surplus (deficit)	(12,180,000)	(9,439,171)	(9,257,717)	(9,547,636)	(9,200,742)

6.2 Long service awards obligation

Long service benefits are awarded in the form of a percentage of salary and a number of leave days once an employee has completed a certain number of years in service.

An actuarial valuation of the obligation has been performed by Arch Actuarial Consulting on all --- employees that are entitled to long service awards as at 30 June 2021 (2020: 280). As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	4,585,100	4,356,224
---	-----------	-----------

Heading

Non-current liabilities	487,126	812,078
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	4,356,224	4,013,049
Benefits paid	(701,535)	(381,068)
Net expense recognised in the statement of financial performance	930,635	724,243
	4,585,324	4,356,224

Net expense recognised in the statement of financial performance in general expenses

Current service cost	478,235	502,413
Adjustments	(14,670)	(13,550)
Interest cost	293,082	313,248
Actuarial (gains) losses	173,988	(77,868)
	930,635	724,243

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	173,988	77,858
---------------------------------------	---------	--------

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.35 %	11.18 %
Expected increase in salaries	5.81 %	7.14 %
Average retirement age	62	62

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6. Employee benefit obligations (continued)

The basis on which the normal salary inflation rate has been determined is as follow:

We have derived the underlying future rate of consumer price price index (CPI inflation) from the relationship between the (yield curve based) inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus. The salaries used in the valuation include an assumed increase on 1 July 2021 of 6.50%. The next salary increase was assumed to take place on 1 July 2022.

The basis on which the discount rate has been determined is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

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

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees. A one percentage point change in assumed normal salary inflation rate would have the following effects:

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

	2021	2020	2019	2018	2017
Defined benefit obligation	4,585,100	4,356,224	4,013,049	3,360,213	3,015,427
Plan assets	(4,585,100)	(4,356,224)	(4,013,049)	(3,360,213)	(3,015,427)
	-	-	-	-	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. 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.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employees Pension Fund

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7. Inventories	7,237,386	6,402,663
Consumable stores		

The total of consumable store's is represented by items held for use in operations.

For Inventory amounts relating to stock losses due to theft and shortages, please refer to Note 41 - Fruitless and Wasteful expenditure.

8. Receivables from exchange transactions

Deposits	2,150,160	2,072,676
Sundry debtors	8,486,807	4,400,066
Impairment: Sundry Debtors	(7,140,410)	-
Mopani District Municipality	128,541,636	109,230,014
Impairment: Mopani District Municipality	(120,829,138)	(101,583,913)
	11,209,055	14,118,843

We were also unable to get the receipt history of Sundry debtors in the financial year 2020. We were therefore, unable to calculate the payment rate and hence unable to calculate provision for sundry debtors in the prior year. On further assessment, it was decided to impair the sundry debtors in the current year.

9. Receivables from non-exchange transactions

Fines	8,562,187	8,395,457
Consumer Debtors - Rates	61,923,372	79,799,564
Impairment of Consumer debtors - Rates	(56,043,373)	(68,363,302)
Impairment debtors - Traffic fines	(8,544,281)	(8,270,105)
	5,897,905	11,561,614

Consumer Debtors - Rates

Current (0 -30 days)	999,565	1,453,533
31 - 60 days	698,396	1,376,904
61 - 90 days	686,225	1,337,659
91 - 120 days	671,545	1,302,856
121 - 365 days	671,389	9,078,713
> 365 days	58,196,252	65,249,899
Less: Impairment	(56,043,373)	(68,363,302)
	5,879,999	11,436,262

Receivables from non-exchange transactions pledged as security

No other receivables from non-exchange transactions were pledged as security.

10. VAT receivable

VAT	-	2,259,643
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11. Consumer debtors

Gross balances

Electricity
Refuse
Other

38,144,726	29,141,107
83,442,402	62,942,235
25,432,558	20,941,136
147,019,686	113,024,478

Less: Allowance for impairment

Electricity
Refuse
Other

(34,522,715)	(20,502,567)
(75,521,043)	(57,574,361)
(21,967,408)	(20,365,350)
(132,011,166)	(98,442,278)

Net balance

Electricity
Refuse
Other

3,622,011	8,638,540
7,921,359	5,367,874
3,465,150	575,786
15,008,520	14,582,200

Electricity

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days

3,622,011	1,661,208
-	848,327
-	1,241,937
-	581,283
-	4,305,785
3,622,011	8,638,540

Refuse

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

563,864	473,216
545,477	440,523
535,970	430,800
526,012	426,816
504,237	3,596,519
5,245,799	-
7,921,359	5,367,874

Other

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

356,935	4,487
175,142	1,190
174,875	1,190
166,958	1,190
168,027	535,681
2,423,213	32,048
3,465,150	575,786

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11. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

1,587,717	955,383
1,470,058	746,069
1,414,801	662,989
1,333,563	741,544
1,303,621	10,279,271
153,716,982	82,793,758
160,826,742	96,179,014

Industrial/ commercial

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

581,156	600,534
648,577	417,166
724,033	435,667
661,777	229,017
609,109	2,544,082
26,167,226	6,369,086
29,391,878	10,595,552

National and provincial government

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

5,399,228	517,500
339,334	93,720
189,935	559,578
153,128	22,481
193,073	165,807
12,338,273	1,865,028
18,612,971	3,224,114

Total

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

7,568,101	2,138,857
2,457,970	1,290,094
2,328,770	1,673,927
2,148,467	1,009,289
2,105,803	13,179,718
185,998,382	93,732,593
202,607,493	113,024,478
(187,598,973)	(98,442,278)
15,008,520	14,582,200

Less: Allowance for impairment

Reconciliation of allowance for impairment

Balance at beginning of the year
Contributions to allowance

(167,442,549)	(149,095,389)
(20,156,424)	(17,710,191)
(187,598,973)	(166,805,580)

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

The fair value of consumer debtors approximates the carrying amount thereof.

Assumptions used during the calculation of the Impairment of Debtors.

The debtors age analysis with the outstanding balance of each debtor as at year end 30 June 2021 was drawn from the system.

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11. Consumer debtors (continued)

Each debtor was assessed individually based on the debtors payment history.

All Government departments were identified and therefore regarded as recoverable since the risk that we may not recover from the government departments are less. Therefore no impairment on government departments debts outstanding.

Twelve months payments report starting from 01 July 2020 to 30 June 2021 was for all other debtors and therefore recoverability rate was determined for each debtor.

The recoverability rate of each debtor's outstanding debt was calculated by taking the total payment for the period and divide it by the debtors outstanding balance at year end. All debtors who are over recoverable thus more than 100% recoverable are not impaired.

All debtors who are less recoverable therefore with less than 100% recoverability rate, the total debtors outstanding balance at period end is impaired by the outstanding percentage therefore (100%).

Consumer debtors past due but not impaired

Government debtors are not impaired. The amounts past due but not impaired is as follows:

18,612,972 3,224,114

Past due but not impaired

12. Cash and cash equivalents

Cash and cash equivalents consist of:

4,184,142 911,833

Bank balances

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
FIRST NATIONAL BANK - 52100005761 - Main Bank Account	470,756	386,620	391,023	636,398	422,069	517,956
FIRST NATIONAL BANK - 62051705534	3,037,845	62,886	389,636	3,424,882	260,879	546,343
ABSA BANK - Fixed Investment	122,861	117,566	110,606	122,862	117,566	110,606
OLD MUTUAL- Investment	-	111,319	103,206	-	111,319	103,206
NEDBANK - Corporate saver	-	-	2,141,463	-	-	2,141,464
Total	3,631,462	678,391	3,135,934	4,184,142	911,833	3,419,575

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

Balance at the beginning of the year
Receipts during the year
Income recognition during the year

- 4,874
70,594,000 70,560,989
(70,594,000) (70,565,863)
- -

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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13. Unspent conditional grants and receipts (continued)

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

14. Payables from exchange transactions

Trade payables
Payments received in advanced
Retentions
Accrued leave pay
Accrued annual bonus
Unallocated deposits
Other Creditors

12,428,174	34,868,472
9,459,739	1,288,125
25,155,350	24,100,859
17,069,182	15,258,514
2,006,362	1,862,190
4,736,990	3,094,561
39,216	34,700
70,895,013	80,507,421

14,359,040	34,868,472
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Trade payables age analysis
Current (0 -30 days)

15. VAT payable

Tax refunds payables

2,427,996	-
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16. Consumer deposits

Electricity

387,948	384,985
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Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed.

No interest is paid on consumer deposits.

17. Revenue

Service charges
Rental of facilities and equipment
Interest received - outstanding receivables
Agency services
Licences and permits
Other income
Interest received - investment
Property rates
Interest - Property Rates
Government grants & subsidies
Fines, Penalties and Forfeits

21,290,797	20,798,409
225,820	81,382
4,238,871	5,555,733
3,398,150	2,010,150
3,811,983	2,296,227
762,222	1,076,247
1,828,957	1,710,717
13,830,617	14,713,311
1,833,232	4,702,051
428,414,000	348,814,989
183,750	432,846
479,618,399	402,192,062

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

Service charges
Rental of facilities and equipment
Interest received (trading)
Agency services
Licences and permits
Other income
Interest received - investment

21,290,797	20,798,409
225,820	81,382
4,238,871	5,555,733
3,398,150	2,010,150
3,811,983	2,296,227
762,222	1,076,247
1,828,957	1,710,717
35,356,800	33,528,865

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Figures in Rand	2021	2020
17. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue	13,830,617	14,713,311
Property rates	1,833,232	4,702,051
Interest - Property Rates	428,414,000	348,814,989
Transfer revenue	183,750	432,846
Government grants & subsidies		
Fines, Penalties and Forfeits	<u>444,261,599</u>	<u>368,663,197</u>
18. Service charges		
Sale of electricity	16,492,949	15,702,989
Sale of water	3,451	330,086
Solid waste	4,793,715	4,764,762
Sewerage and sanitation charges	682	572
	<u>21,290,797</u>	<u>20,798,409</u>
19. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	225,820	81,382
20. Fines, Penalties and Forfeits		
Municipal Traffic Fines	183,750	432,846
21. Agency services		
Management fees	3,398,150	2,010,150
22. Licences and permits (exchange)		
Road and Transport	3,611,983	2,296,227
23. Other revenue		
Other income	762,222	1,076,247
24. Investment revenue		
Interest revenue		
Bank	1,828,957	1,710,717
25. Property rates		
Rates earned		
Residential	9,711,221	12,998,299
State	4,119,396	1,715,012
	<u>13,830,617</u>	<u>14,713,311</u>

Greater Letaba Municipality
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	2021	2020
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26. Government grants and subsidies

Operating grants	298,336,000	278,254,000
Equitable share	59,484,000	-
Equitable share additional funding	2,000,000	2,145,000
Finance Management Grant	1,467,000	1,225,000
Extended Public Works Programme	3,600,000	5,000,000
Energy Efficiency Management Grant	-	298,000
Municipal Disaster Management Grant	-	-
	364,887,000	286,922,000
Capital grants	56,527,000	57,607,989
Municipal Infrastructure Grant	7,000,000	4,285,000
Integrated National Electrification Grant	63,527,000	61,892,989
	428,414,000	348,814,989

Equitable Share

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

Equitable Share Additional Funding

During the year additional funding was provided in response to the Covid-19 pandemic through equitable share. These funds allowed the municipality to maintain existing services despite a temporary decline in revenue collections and also cover some additional expenses incurred in response to the pandemic:

Additional funding received
Additional funding spent

	59,484,000	-
	(59,484,000)	-
	-	-

Finance Management Grant (FMG)

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

	-	4,884
	2,000,000	2,145,000
	(2,000,000)	(2,149,884)
	-	-

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

Extended Public Works Programme Grant (EPWP)

Current-year receipts
Conditions met - transferred to revenue

	1,467,000	4,285,000
	(1,467,000)	(4,285,000)
	-	-

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

Energy Efficiency Management Grant

Current-year receipts
Conditions met - transferred to revenue

	3,600,000	5,000,000
	(3,600,000)	(5,000,000)
	-	-

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

Municipal Infrastructure Grant

Greater Letaba Municipality

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26. Government grants and subsidies (continued)		
Current-year receipts	56,527,000	57,607,989
Conditions met - transferred to revenue	(56,527,000)	(57,607,989)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Integrated National Electrification Grant		
Current-year receipts	7,000,000	4,285,000
Conditions met - transferred to revenue	(7,000,000)	(4,285,000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
27. Contracted services		
Outsourced Services		
Business and Advisory	197,300	87,500
Catering Services	630,687	1,538,151
Cleaning Services	-	44,999
Meter Management	561,148	453,600
Mini Dumping Sites	2,848,920	3,137,160
Security Services	341,964	109,421
Consultants and Professional Services		
Business and Advisory	8,535,088	5,331,005
Infrastructure and Planning	7,728,844	9,236,586
Legal Cost	13,576,405	6,204,604
Contractors		
Audio-visual Services	-	72,446
Bore Waterhole Drilling	43,273	26,000
Electrical	6,217,785	9,097,049
Event Promoters	1,450,169	208,890
Fire Services	506,179	457,187
Maintenance of Buildings and Facilities	1,676,306	2,790,765
Maintenance of Equipment	5,074,021	3,074,511
Maintenance of Unspecified Assets	20,031,936	8,319,191
Pest Control and Fumigation	1,176,942	232,763
Transportation	3,000	1,363,878
Safeguard and Security	16,477,746	10,436,220
Sports and Recreation	-	299,057
Stage and Sound Crew	-	181,159
Removal of Hazardous Waste	380,340	59,730
	87,457,853	62,761,872

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28. General expenses		
Advertising	1,462,153	739,616
Auditors remuneration	4,008,626	4,160,971
Bank charges	426,458	302,530
Vehicle tracking	618,951	218,881
Commission paid	340,137	3,384,529
Stores and material	12,103,310	11,869,360
Contribution to provisions - landfill sites	423,202	122,795
Hire	150,917	599,789
Insurance	3,095,108	2,859,429
IT expenses	11,575,774	4,842,395
Seminars Conferences Workshops and Events	621,458	348,399
Vehicle licences	235,757	36,746
Printing and stationery	418,946	279,330
Protective clothing	2,909,916	2,435,852
Subscriptions and membership fees	1,166,870	1,399,578
Communication	2,997,530	3,682,358
Travel - local	11,940,405	11,902,656
Rentals for printers	342,233	304,181
Assets expensed	53,800	11,611
Electricity	4,673,509	4,966,483
Bursary scheme	257,057	786,576
Interns	2,046,500	1,530,452
Free basic services and rebates	346,108	235,729
Remuneration of ward councillors	5,346,000	5,374,000
Other expenses	224,593	120,837
	67,785,318	62,515,083

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29. Employee related costs		
Basic	72,809,255	68,691,132
Bonus	5,454,346	4,999,257
Medical aid - company contributions	5,457,709	4,693,092
UIF	491,760	501,098
WCA	318,246	1,299,410
SDL	1,148,665	918,254
Leave pay provision charge	5,069,922	3,826,632
Pension fund and other fund contributions	16,973,786	13,010,166
Travel, motor car, accommodation, subsistence and other allowances	991,431	495,000
Overtime payments	4,847,364	3,935,106
Long-service awards	155,385	751,257
Acting allowances	874,187	1,515,987
Car allowance	6,676,248	5,560,404
Housing benefits and allowances	1,622,436	1,397,650
Cellular and telephone allowance	1,311,061	181,000
Tool allowance	399,803	2,000
	124,601,604	111,777,445

Remuneration of municipal manager

Annual Remuneration	608,372	938,514
Car Allowance	75,000	180,000
Back pay	-	31,473
Contributions to UIF, Medical and Pension Funds	25,000	60,000
Housing Allowance	100,000	240,000
Cellphone Allowance	21,000	360,000
Computer Allowance	7,000	12,000
Danger Allowance	1,000	-
Acting Allowance	139,450	-
	976,822	1,821,987

Dr Sirovha KI resigned in November 2020. Dr Letsoalo MB was the acting Municipal Manager from December 2020 to March 2021. Mrs Mathabatha TM acted in April 2021

The substantive Municipal Manager (Mankgabe MF) was appointed in May 2021

Remuneration of Chief Finance Officer

Annual Remuneration	842,227	369,951
Car Allowance	180,000	105,000
Back pay	-	68,606
Cellphone Allowance	36,000	31,000
Computer Allowance	12,000	7,000
Danger Allowance	7,000	-
	1,077,227	581,557

TM Mathabatha was appointed CFO effective December 2019

Remuneration of Director Corporate services

Annual Remuneration	631,670	850,685
Car Allowance	90,000	120,000
Back Pay	45,000	35,120
Contributions to UIF, Medical and Pension Funds	-	60,000
Computer Allowances	9,000	12,000
Cellphone Allowances	27,000	36,000
Acting Allowance	117,455	-

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29. Employee related costs (continued)		
Danger Allowance	5,500	-
	925,625	1,113,805

Dr Letsoalo MB resigned in March 2021 and Malola MP has been acting since April 2021

Remuneration of Director Community Services

Annual Remuneration	842,226	846,139
Car Allowance	84,000	84,000
Performance Bonuses	-	35,120
Contributions to UIF, Medical and Pension Funds	84,000	100,996
Back pay	14,000	-
Computer Allowance	12,000	12,000
Cellphone Allowance	24,000	24,000
Danger Allowance	8,000	-
	1,068,226	1,102,255

The Director Community Services was Dr Mokoena Masilo Daniel during the financial year.

Remuneration of Director Technical Services

Annual Remuneration	1,022,220	1,033,154
Back pay	-	35,120
Computer Allowance	12,000	12,000
Cellphone Allowance	36,000	36,000
Danger Allowance	7,500	-
	1,077,720	1,116,274

The Director Technical Services was Mr Malungana Matimba Eugene during the financial year.

Remuneration of Director Development and Planning

Annual Remuneration	931,226	937,135
Car Allowance	36,000	36,000
Back Pay	-	35,120
Contributions to UIF, Medical and Pension Funds	55,000	60,000
Computer Allowance	12,000	12,000
Cellphone Allowance	32,000	24,000
Danger Allowance	7,500	-
	1,073,726	1,104,255

The Director Development and Planning Director was Mr Sewape Malekutu Obed during the financial year.

30. Remuneration of councillors

Executive Mayor	901,659	901,659
Mayoral Committee Members	4,465,873	2,405,381
Speaker	729,488	729,488
Councillors	17,557,929	18,677,387
	23,654,949	22,713,915

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30. Remuneration of councillors (continued)

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 is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

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

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

31. Depreciation and amortisation

Property, plant and equipment	36,862,180	33,802,384
Investment property	7,489	9,016
Intangible assets	35,905	44,876
	36,905,574	33,856,276

32. Debt impairment

Debt impairment	59,754,015	119,294,104
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33. Bulk purchases

Electricity - Eskom	14,911,679	15,127,354
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34. Auditors' remuneration

Fees	4,008,626	4,160,971
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35. Cash generated from operations		
Surplus (deficit)	65,440,360	(25,874,812)
Adjustments for:		
Depreciation and amortisation	36,905,574	33,856,276
Loss on sale of assets and liabilities	(963,882)	-
Finance costs - Finance leases	70,929	20,825
Debt impairment	59,754,015	119,294,104
Movements in retirement benefit assets and liabilities	2,969,928	524,628
Other Non cash items	248,329	2,311,979
Changes in working capital:		
Inventories	(834,723)	2,195,549
Receivables from exchange transactions	(23,475,847)	(14,456,702)
Consumer debtors	(33,995,208)	(11,060,137)
Other receivables from non-exchange transactions Mopani District Municipality	5,663,709	(11,328)
Payables from exchange transactions	(9,612,406)	5,903,429
VAT	4,687,639	(1,081,028)
Unspent conditional grants and receipts	-	(4,874)
Consumer deposits	2,963	(6,146)
	106,861,380	85,643,275

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	175,217,983	130,269,360
• Operational	41,676,417	59,168,200
	216,894,400	189,437,560

Total capital commitments

Already contracted for but not provided for	216,894,400	189,437,560
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, government grants and subsidies, etc.

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37. Contingencies		
Description		
1. Merifon (Pty) Ltd - is suing the municipality for R52 000 000.00 for breach of contract. The matter is being defended and still pending.	52,000,000	52,000,000
2. Hennox 60 CC - is suing the municipality for damages suffered as a result of the alleged defective storm water system for R3 635 593.33. The matter is being defended and still pending.	3,635,593	3,635,593
3. Star Mirl - is suing the municipality for R7 069 436.52 - The Plaintiff alleges that while appointed as a service provider for the municipality, the latter paid a person not so authorised by the Plaintiff. The matter is being defended and still pending.	7,069,437	7,069,437
4. Terror Trading Enterprise - is suing the municipality for R4 374 783.30. The Plaintiff alleges that while appointed as a service provider for the municipality, the latter paid a person not so authorised by the Plaintiff. The matter is being defended and still pending.	4,374,783	4,374,783
5. Modjadji Florence Modjadji - is suing the municipality for R67 313.70. The municipality is being sued for damages allegedly incurred as a result of pot holes on the municipal paving due to non maintenance. The matter is being defended and still pending.	67,314	300,000
6. JM Rakomane O.B.O MT Rakomane - is suing the municipality for R915 000.00. The plaintiff is suing the municipality on allegation of negligence as a result of neglected Ga-Kgapane stadium gate which fell on his son who sustained injuries. The matter is being defended and still pending.	915,000	-
7. Mavis Rangoato and Others-Eviction of respondents on piece of land commonly known as remainder of Meidingen Fsrn 398LT	-	-
8. Elizabeth Makola and 27 and Others -Invading of Portion 4 of Farm 434 Mooiplaas.	-	-
9. Fannie Venter & Seuns Boerdey (ZZ2)-The municipality is being litigated for alleged non-compliance in Establishment of Township in an Agricultural land	-	-
10. SALGBC & Others-The review of the application by the municipality on arbitration award which is being alleged	-	-
11. Maximum Profit Recovery-The applicant is challenging the municipality on appointment of service provider for VAT recovery	-	-
12. Public Protector of South Africa-Review of remedial actions issued by Public Protector against the municipality	-	-
Giyani Cedric Maluleke vs Greater Letaba Municipality	-	400,000
	68,062,127	67,779,813

38. Related parties

Relationships

Members of key management

Florance Mankgabe (Municipal Manager)
 Mathabatha TM (Chief Financial Officer)
 Malungana M (Director Technical Services)
 Dr MB Letsoalo (Director Corporate Services)
 Dr M Mokoena (Director Community Services)
 O Sewape (Director Town Planning)
 Councillors - Refer to list of Councillors below

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial or operational decision.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decision.

For detailed amounts with respect to Members of key management kindly refer to Note 30.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management

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39. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Default and breaches

There was no default and breaches for the applicable liabilities of the municipality

Liquidity risk

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

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

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. No changes were made to the funding method and method used to assess the risk.

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

Credit risk

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

Credit risk is managed on through implementation of the municipality credit risk policy.

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 counterparty.

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. No changes were made on the method of assessment.

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

	2021	2020
Financial instrument	11,209,055	14,118,843
Receivables from exchange transactions	5,897,905	11,561,614
Receivables from non exchange transactions	4,184,142	911,833
Cash and cash equivalents	15,008,520	14,582,200
Consumer debtors	(12,428,174)	(34,868,472)
Trade payables	(387,948)	(384,985)
Consumer deposits		

For financial assets which are past due and impaired refer to note 8, 9 and 11. None of the financial assets terms have been renegotiated. None of the financial assets were used as security or collateral. Consumer deposits are disclosed on note 16.

Market risk

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39. Risk management (continued)		
Interest rate risk		
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.		
Interest risk arises from receivables and financial assets		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the municipality does not have any long term borrowing.		
The interest risk is managed through the implementation of the credit control policy by the revenue unit and applying a fixed interest rate. There was no change on the policy and the method use		
Financial Liabilities	13,795,395	13,795,395
Employee benefit obligation		
40. Unauthorised expenditure		
Opening balance as previously reported	370,370,750	221,414,227
Opening balance as restated	370,370,750	221,414,227
Add: Expenditure identified - current	19,585,070	148,956,523
Closing balance	389,955,820	370,370,750
41. Fruitless and wasteful expenditure		
Opening balance as previously reported	2,105,575	1,570,863
Opening balance as restated	2,105,575	1,570,863
Interest Paid and Overpayments to service provider	704,067	358,888
Stock losses due to theft and shortages	539,091	175,824
Closing balance	3,348,733	2,105,575
42. Irregular expenditure		
Opening balance as previously reported	199,396,165	172,068,406
Opening balance as restated	199,396,165	172,068,406
Add: Irregular Expenditure - recurring	21,626,502	7,942,513
Add: Irregular Expenditure - current	12,245,896	19,385,246
Closing balance	233,268,563	199,396,165
Analysis of expenditure awaiting condonation per age classification		
Current year	33,872,398	27,327,759
Prior years	199,396,165	172,068,406
	233,268,563	199,396,165
The Irregular expenditure was caused by non compliance with the SCM policy and regulations.		
43. Additional disclosure in terms of Municipal Finance Management Act		
SALGA		
Current year subscription / fee	1,233,363	1,137,439
Amount paid - current year	(1,233,363)	(1,137,439)
	-	-

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

Electricity distribution losses

Kwh units purchased from Eskom
Kwh units sold per billing system statistics

(11,999,667)	(13,013,927)
10,313,139	12,209,560
(1,686,528)	(804,367)

Distribution losses

The losses are as a result of illegal connections, faulty meters, incorrect meter readings and other sundry distribution losses.
The current year value of losses is R2 158 194 (2020: R1 954 127)

Audit fees

Current year fee
Amount paid - current year

4,301,579	4,160,971
(4,301,579)	(4,160,971)
-	-

PAYE, UIF and SDL

Current year deductions and company contributions
Amount paid - current year

23,930,048	22,934,083
(23,930,048)	(22,934,083)
-	-

Pension and Medical Aid Deductions

Current year deductions and company contributions
Amount paid - current year

28,315,746	17,708,519
(28,315,746)	(17,708,519)
-	-

Councillors' arrear consumer accounts

MFMA section 124(1)(b) also requires disclosure of any arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days. There were no Councillors that had arrear accounts outstanding for more than 90 days as at 30 June 2021:

44. 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. The total deviations for the year under review amounted to R3 989 191 (2020: R4 174 935)

45. Entities Part of a Principle vs Agent Arrangement

The Municipality is part of a principle vs agent arrangement with Mopani District Municipality. In this arrangement the Municipality is the agent and is acting on behalf of Mopani by providing Water and Sewerage Services for Mopani District Municipality.

Municipality acting as the Agent

Resources (assets/liabilities) recognised by the municipality that are held/incurred on behalf of a principal
Revenue recognised as compensation for the transactions carried out on behalf of the principal
Revenue received or to be received on behalf of the principal
Expenditure paid or incurred on behalf of the principal

-	216,733
282,662	61,112
9,309,090	20,546,809
27,159,282	27,131,162
36,751,034	47,955,816

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45. Entities Part of a Principle vs Agent Arrangement (continued)

Receivables held on behalf of the principal

Opening Balance	89,453,607	77,338,157
Revenue receivable	9,309,090	20,546,809
Amounts received	(8,688,370)	(8,431,359)
	90,074,327	89,453,607

Payables held on behalf of the principal

Opening Balance	918,430	3,568,798
Expenses Incurred	27,159,282	18,764,664
Cash Paid	(28,077,712)	(21,415,032)
	-	918,430

If any party commits a breach of the contract, it shall deliver a written notice to the defaulting party notifying it of the breach giving rise to such right and requesting the defaulting party to remedy the breach in question within a period of 20 days.

The Municipality is responsible for ensuring that consumers have access to water services in accordance with the constitution of The Republic of South Africa, 1996, the Municipal Structures Act (Act 33 of 1998) and the Act.

The District Municipality has subsequent to assessments in terms of section 78 of the Municipal Systems Act (No 32 of 2000), selected a service delivery agreement with the local Municipality as the preferred service delivery within the water services area.

Greater Letaba is providing water services to the consumers within the water service area on the effective date, in accordance with the Cooperative Governance Agreement entered into between Mopani and Greater Letaba upon authorization issued by the Minister of Provincial and Local Government Affairs in terms of the Municipal Structures Act (Act 33 of 1998) as repealed.

There were no changes that occurred in the current year.

46. Finance lease obligation

Minimum lease payments due

- within one year	1,378,367	-
- in second to fifth year inclusive	1,649,236	-
Present value of minimum lease payments	3,027,603	-

Non-current liabilities	1,649,236	-
Current liabilities	1,378,367	-
	3,027,603	-

The finance lease relates to the lease of 36 rental network printing and photocopying machine as well as desktop printing and photocopying for a period of 3 years.

The average lease term was 3 years and the average effective borrowing rate was 7%.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

47. Finance costs

Finance leases	70,929	20,825
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48. Prior period errors

1.) Mopani receivables was incorrectly not assessed and provided for impairment as required by GRAP 104. The Municipality manages the water and waste water function on behalf of Mopani District Municipality. The District Municipality has been unable to pay for payments done on their behalf. We have only been able to withhold receipts collected on their behalf from consumers. During the preparation of the Prior Period Error for the debt impairment of Mopani loan Account, we were unable to go beyond 2020 financial year due to the following reasons:

- The municipality was only able to access information as far as 2019-2020 financial year (in this case the Loan Account Reconciliation)
- For the municipality to calculate the doubtful debt required to determine a payment rate which is based on the receipts received on behalf of the municipality, only receipts that could be obtained was until 2019-2020 financial.

Thus, this became impractical to perform calculation of doubtful debt in the financial periods before the 2019-2020 financial year. This has resulted in a provision for impairment of R101 583 913 in the prior year (2020).

2.) Property, plant and equipment were restated due to assets not being capitalised correctly in the prior year. The asset costs and depreciation were restated as a result. This resulted in additions being oversatated by R449 737 and Depeceiation being oversatated by R24 402

3.) Service charges were undesrtated in the prior year by a value of R205 878

4.) Income and expenses were reclassified due to the adoption of Municipal Standard chart of accounts (MSCOA)

5.) Inventory - work in progress amounting to R3 538 954 was expensed to Contracted services

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

Statement of Financial Position	Note	As previously reported	Correction of errors	Reclassificati on	Total
Current Assets					
Inventories	'7	9,941,617	(3,538,954)	-	6,402,663
Receivables from exchange transactions	'8	115,702,762	(101,583,913)	-	14,118,849
Receivables from non-exchange transactions	'9	11,561,613	-	-	11,561,613
VAT receivable	'10	2,259,643	-	-	2,259,643
Consumer debtors	'11	14,376,322	205,878	-	14,582,200
Cash and cash equivalents	'12	911,833	-	-	911,833
Non-Current Assets					
Investment property	'2	213,057	-	-	213,057
Property, plant and equipment	'3	963,336,478	(449,737)	-	962,886,741
Intangible assets	'4	88,925	-	-	88,925
Heritage assets	'5	548,500	-	-	548,500
Current Liabilities					
Payables from exchange transactions	'14	(80,507,419)	-	-	(80,507,419)
Consumer deposits	'16	(384,985)	-	-	(384,985)
Finance lease obligation	'6	(812,078)	-	-	(812,078)
Non-Current Liabilities					
Employee benefit obligation	'6	(12,983,317)	-	-	(12,983,317)
Accumulated surplus		(1,024,252,951)	105,366,726	-	(918,886,225)
		-	-	-	-

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48. Prior period errors (continued)

Statement of Financial Performance	Note	As previously reported	Correction of errors	Reclassificati on	Total
Revenue					
Service charges	'18	20,292,084	205,879	300,446	20,798,409
Rental of facilities and equipment	'19	57,725	-	23,657	81,382
Interest received - outstanding receivables		5,555,733	-	-	5,555,733
Agency services	'21	2,010,150	-	-	2,010,150
Licences and permits	'22	2,296,227	-	-	2,296,227
Other income	'23	1,109,991	-	(33,744)	1,076,247
Interest received - investment	'24	1,710,717	-	-	1,710,717
Property rates	'25	14,713,311	-	-	14,713,311
Interest - Property Rates		4,702,051	-	-	4,702,051
Government grants & subsidies	'26	348,814,989	-	-	348,814,989
Fines, Penalties and Forfeits	'20	432,846	-	-	432,846
Expenditure					
Employee related costs	'29	(108,796,221)	-	(2,981,224)	(111,777,445)
Remuneration of councillors	'30	(22,713,915)	-	-	(22,713,915)
Depreciation and amortisation	'31	(33,831,872)	(24,402)	-	(33,856,274)
Finance costs	'47	-	-	(20,825)	(20,825)
Debt Impairment	'32	(17,710,191)	(101,583,913)	-	(119,294,104)
Bulk purchases	'33	(15,127,354)	-	-	(15,127,354)
Contracted services	'27	(22,121,108)	(3,538,954)	(37,101,810)	(62,761,872)
General Expenses	'28	(101,920,582)	(408,001)	39,813,500	(62,515,083)
		79,474,581	(105,349,391)	-	(25,874,810)