

THABAZIMBI LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2022



**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

GENERAL INFORMATION

Legal form of entity:	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)	
Legislation governing the municipality's operations:	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)	
Mayoral committee:	Mayor	Cllr.Tokkie Swanepoel
	Speaker	Cllr.Butana Ben Tlhabadira
	Chief Whip	Cllr.Cathrine Sikwane
Community Services:	Chairperson	Cllr .Moruakgomo Richard Kotsedi
	Member	Cllr Ronny Manyama
	Member	Cllr Orapeleng Selokela
	Member	Cllr Tshегоfatso Ramoabi
	Member	Cllr David Gouveia
Planning and economic development & Infrastructure:	Chairperson	Cllr Themba Mkansi
	Member	Cllr Herman Kgotlhang
	Member	Cllr Kampie Steenkamp
	Member	Cllr Pontsho Sello
	Member	Cllr Stephen Lerumo
		Cllr Lydia Sikhwari
Finance Institutional Development & Transformation:	Chairperson	Cllr Judy Mogapi
	Member	Cllr Xolile Nozozo
	Member	Cllr David Masilo
	Member	Cllr Louisa Matlala
	Member	
MPAC:	Chairperson	Cllr Frik Erasmus
	Member	Cllr Kiniki Abel Sesoma
	Member	Cllr Maxwell Magetse
	Member	Cllr Xoliswa Ntshatsheni
Grading of local authority:	Grade 3 (MDB Code: LIM361)	
Acting Accounting Officer:	Ms LP Makaya	
Chief Finance Officer (CFO):	Mr LG Tloubatla	
Registered office:	7 Rietbok Street, Thabazimbi, 0380	
Business address:	7 Rietbok Street, Thabazimbi, 0380	
Postal address:	Private Bag X530, Thabazimbi, 0380	
Bankers:	ABSA Bank Limited	
Auditors:	Auditor General of South Africa (AGSA)	

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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Abbreviations

COVID-19	Coronavirus
DBSA	Development Bank of South Africa
DHS	Department of Human Settlement
DRG	Disaster relief grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated national electrification programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NT	National Treasury
PT	Provincial Treasury
WSIG	Water services infrastructure grant

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

The municipality is wholly dependent on the community 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 I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL

I would like to bring the following material matters to your attention:

As at June 30, 2022, the municipality had an accumulated surplus of R 399 million

I certify that the salaries, allowances and benefits of councillors as disclosed in note 26 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The annual financial statements set out on pages 3 to 54, which have been prepared on the going concern basis, were approved by the municipality on 31 August 2022 and were signed on its behalf by:

Accounting Officer
Date: 31 August 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

Figures in Rand

	Note(s)	2022	2021 *Restated
Assets			
Current Assets			
Cash and cash equivalents	6	10 907 197	2 005 820
Trade and other receivables from exchange transactions	7	39 042 066	34 653 822
Trade and other receivables from non-exchange transactions	8	18 373 863	16 992 638
Inventories	9	2 706 534	4 415 368
VAT receivable	38.6	66 129 585	77 567 059
Total current assets		137 159 245	135 634 707
Non-Current Assets			
Property, plant and equipment	3	845 940 182	839 660 165
Biological assets	4	773 100	482 100
Intangible assets	5.1	-	-
Investment property	5.2	-	-
Total non current assets		846 713 282	840 142 265
Total Assets		983 872 528	975 776 972
Liabilities			
Current Liabilities			
Current portion of borrowings	10	-	719 733
Current portion of provisions	11	1 958 917	2 288 153
Current portion of employee benefit obligations	12	2 235 000	2 027 000
Consumer deposits	13	4 575 658	4 358 175
Current portion of trade and other payables from exchange transactions	14	257 041 238	297 061 572
Unearned income	14	99 140 155	
Unspent transfers and subsidies	15	18 782 191	12 456 241
Finance lease	38.7	1 283 761	
Total current liabilities		385 016 919	318 910 874
Non-Current Liabilities			
Borrowings	10	-	-
Provisions	11	50 539 735	59 668 121
Employee benefit obligations	12	45 600 000	41 473 000
Trade and other payables from exchange transactions	14	101 375 087	151 878 214
Finance lease	38.8	1 532 036	
Total non current liabilities		199 046 858	253 019 335
Total Liabilities		584 063 777	571 930 209
Net Assets		399 808 750	403 846 763
Accumulated surplus		399 808 750	403 846 763
*See Note 37		-	-

STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE 2022

Figures in Rand

	Note(s)	2022	2021 *Restated
Revenue			
Revenue from non exchange transactions			
Property rates (Taxation revenue)	16	90 441 290	80 804 907
Fines	17	774 300	465 650
Licence and permits	18	27 990	7 518
Government grants and subsidies	19	153 945 378	211 590 817
Interest income	24	6 744 061	6 265 980
Donations	48	5 541 442	
Total non exchange revenue transactions		257 474 461	299 134 871
Revenue from exchange transactions			
Service charges	20	179 602 638	162 635 325
Rental of facilities and equipment	21	442 772	426 409
Licences and permits	22	4 674 106	4 754 054
Other operational revenue	23	2 341 968	1 475 429
Interest income	24	21 301 992	22 184 070
Total exchange transactions revenue		208 363 477	191 475 287
Total Revenue		465 837 938	490 610 158
Expenditure			
Employee related cost	25	147 772 013	135 736 796
Remuneration of councillors	26	9 396 359	9 353 982
Impairment loss	27	69 287 615	35 268 753
Depreciation and amortisation	28	37 089 563	31 432 823
Finance costs	29	19 943 814	19 064 000
Bulk purchases	30	84 755 954	75 019 111
Contracted services	31	44 732 063	42 469 746
Operational costs	32	27 309 251	25 170 207
Inventory consumed	51	41 804 090	45 240 479
Bad debts	52	73 663	922 220
Operating leases	53	2 278 986	2 736 309
Total Expenditure		484 443 371	422 414 427
Operating surplus		(18 605 434)	68 195 732
Loss on disposal of assets	3	(153 874)	(2 665 850)
Fair value adjustment	4	291 000	(556 700)
Contribution to provisions: Landfill site	54	14 430 294	(11 344 334)
Surplus (deficit) for the year		(4 038 014)	53 628 848

STATEMENT OF CHANGES IN NET ASSETS AS 30 JUNE 2022

Figures in Rand

		Accumulated surplus	Total net assets
Opening balance		349 104 985	349 104 985
Adjustments:			
*Prior year adjustments (Note 37)	37	1 112 930	1 112 930
Change in net assets:			
Restated Surplus/(Deficit) for the year		53 628 848	53 628 848
Balance at 1 July 2021 as restated		<u>403 846 763</u>	<u>403 846 763</u>
Surplus (deficit) for the year		(4 038 014)	(4 038 014)
Balance at 30 June 2022		<u><u>399 808 749</u></u>	<u><u>399 808 749</u></u>

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

Figures in Rand

Note(s) 2022 2021

Cash flows from operating activities

Receipts

Services charges	138 232 644	133 984 426
Grants	160 271 327	208 106 707
Rates and fines	75 276 412	64 674 527
Interest received on investments	501 686	399 199
Other receipts	7 044 064	6 237 010
	381 326 134	413 401 869

Payments

Employee costs	157 208 971	147 235 464
Suppliers	180 614 093	185 159 658
Finance costs	262 353	-
	338 085 417	332 395 122

Net cash flows from operating activities

43 240 717 **81 006 747**

Cash flows from investing activities

Acquisition of fixed assets	(32 778 482)	(79 619 156)
Acquisition of intangible assets	-	-
Net cash flows from investing activities	(32 778 482)	(79 619 156)

Cash flows from financing activities

Loan Repayments	(696 087)	(1 383 085)
Finance lease payments	(870 212)	-
Net cash flows from financing activities	(1 566 299)	(1 383 085)

Net increase/(decrease) in cash and cash equivalents
Cash and cash equivalents at the beginning of the year

8 895 936 **4 506**
2 011 260 2 006 754

Cash and cash equivalents at the end of the year

6 **10 907 196** **2 011 260**

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Statement of comparison of budget to actual amounts for the year ended 30 June 2022

	Original Budget	Budget Adjustments	Final Budget	Actual amount	Variance ZAR	Variance %	Note
Revenue By Source							
Property rates	98 531 000	(4 000 000)	94 531 000	90 441 290	(4 089 710)	-5%	
Service charges	183 946 000	8 000 000	191 946 000	179 602 638	(12 343 362)	-7%	
Rental of facilities and equipment	428 000		428 000	442 772	14 772	3%	39.1
Interest earned	28 307 000		28 307 000	28 046 053	(260 947)	-1%	
Fines Penalties and Forfeits	52 000		52 000	774 300	722 300	93%	39.2
Licences and permits	1 832 000		1 832 000	4 702 096	2 870 096	61%	39.3
Transfers recognised	238 769 000		238 769 000	153 945 378	(84 823 622)	-55%	39.4
Other revenue	980 000	1 000 000	1 980 000	7 883 410	5 903 410	75%	39.5
Total Revenue	552 845 000	5 000 000	557 845 000	465 837 938	(92 007 062)		
Expenditure By Type							
Employee related costs	145 464 000	1 510 000	146 974 000	147 772 013	798 013	1%	
Remuneration of councillors	11 050 000	(1 500 000)	9 550 000	9 396 359	(153 641)	-2%	
Debt impairment	7 591 000		7 591 000	69 287 615	61 696 615	89%	39.6
Depreciation and asset impairment	46 423 000	(14 000 000)	32 423 000	37 089 563	4 666 563	13%	39.7
Finance charges	13 500 000		13 500 000	19 943 814	6 443 814	32%	39.8
Bulk purchases	91 884 000		91 884 000	84 755 954	(7 128 046)	-8%	39.9
Contracted services	41 802 000	4 250 000	46 052 000	44 732 063	(1 319 937)	-3%	39.10
Other expenditure	66 662 000	800 000	67 462 000	85 759 158	18 297 158	21%	
Total Expenditure	424 376 000	(8 940 000)	415 436 000	498 736 540	83 300 540		
Surplus/(Deficit) for the year	128 469 000	13 940 000	142 409 000	(32 898 602)	(175 307 602)		

Explanation on material differences which are **above 10%** between final budget and actual are disclosed in note 39

ACCOUNTING POLICIES

Presentation of financial statements

These 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 No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1 Summary of Significant Accounting Policies

The accounting policies have been consistently applied to all the years presented.

1.2 Presentation currency

These Annual Financial Statement are presented in South Africa Rand, which is the functional currency of the Municipality.

1.3 Going concern assumption

These Annual Financial Statements were prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Comparative and Budget Information

1.5.1 Current year comparatives

The annual budget figures have been prepared in accordance with the Standard of GRAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statements, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Annual Financial Statements giving motivations for over- our under spending on line items where it is found to be material. The annual budget figures include budget information relating to subsidiaries or associated. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material. Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

1.5.2 Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior periods.

ACCOUNTING POLICIES

1.6 Foreign Currencies

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.7 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.8 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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

1.9 Inventories

Inventories consist of consumables, materials and supplies and water, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Water Inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.11 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

ACCOUNTING POLICIES

1.12 Property, Plant and Equipment (continued):

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous impairment.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the Municipality. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

ACCOUNTING POLICIES

1.13 Property, Plant and Equipment (continued):

Asset class and depreciation

Minimum & Maximum Estimated Useful Life per asset category

Main category	Sub category	Min	Max	
Electricity Network	LV Networks	10	60	Electricity Network
Electricity Network	MV Networks	15	100	Electricity Network
Electricity Network	MV Substations	30	50	Electricity Network
Electricity Network	HV Substation	45	45	Electricity Network
Road Network	Road Infrastructure	5	100	Roads
Sanitation Network	Sanitation infrastru	5	100	Sanitation Network
Stormwater Network	Storm water Infrastuct	5	100	Water infrastructure
Water Supply Network	Distribution	10	80	Water infrastructure
Water Supply Network	Reservoirs	5	100	Water infrastructure
Water Supply Network	Boreholes	5	100	Water infrastructure
Water Supply Network	Pump Stations	5	100	Water infrastructure
Water Supply Network	Bulk Mains	15	80	Water infrastructure
Water Supply Network	PRV Stations	15	15	Water infrastructure
Solid waste facilities	Solid Waste Infrastruc	15	15	Solid Waste
Bridges	Road Infrastructure	50	100	Roads
Community Facilities	Community Assets	5	100	Community facilities
Community Facilities	Libraries	5	100	Community facilities
Land	Land	-	-	Land
operational facilities	Building	5	100	Community facilities
Servitudes	Road Infrastructure	-	-	Land
Sport and recreation Facilitie	Community Assets	7	100	Community facilities
Sports Facilities	Community Assets	5	100	Community facilities
Housing	Building	15	100	Community facilities
Solid waste facilities	Solid Waste Infrastruc	15	50	Community facilities
Grand Total		5	100	
Transport assets:		5	10	
Machinery and Equipment:		2	15	
IT equipment:		3	7	
Furniture and Office Equipment:		2	35	

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

1.14 Biological Assets

Biological assets and agricultural produce are initially and subsequently measured at their fair value less estimated point-of-sale costs and agricultural produce harvested from the entity's biological assets are measured at their fair value less estimated point-of-sale costs at the point of harvest.

Where biological assets and agricultural produce are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transfer taxes and duties but exclude transport and other costs necessary to get the assets to a market.

The fair value of biological assets is estimated by reference to the market value. The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in the fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.15 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ACCOUNTING POLICIES

ACCOUNTING POLICIES

1.16 Impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

1.16.1 Impairment of Cash-generating Assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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.

ACCOUNTING POLICIES

1.16.2 Impairment of Cash-generating Assets (continued):

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.16.3 Impairment of Non-cash-generating Assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.16.4 Impairment of Non-cash-generating Assets (continued):

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.17 Financial Instruments

A financial instrument is recognised if the Municipality becomes a party to the contractual provisions of the instrument.

1.17.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with the Standards of GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset
- Financial assets measured at fair value being financial assets that meet either of the following conditions:
 - a) Derivatives;
 - b) Combined instruments that are designated at fair value;
 - c) Instruments held for trading;
 - d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto: (see note 41)

Financial asset at cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at cost using the fair value less any impairment

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at cost.

ACCOUNTING POLICIES

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

1.17.2 Financial Assets (continued):

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with the Standard of GRAP 104 of Financial Instruments.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to the Standard of GRAP 104 on Financial Instruments, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

- Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.
- Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.
- Housing loans assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.17.3 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at fair value; or
- Financial liabilities measured at amortised cost.

The Municipality has the following types of financial liabilities (which include consumer deposits) as reflected on the face of the Statement of Financial Position or in the notes thereto: (See note 41)

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

1.18 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

ACCOUNTING POLICIES

ACCOUNTING POLICIES

1.19 Provisions (continued):

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.19.1 Environmental Rehabilitation Provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.2 Employee Benefits

The Municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

1.20.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

1.20.2 Post-employment Benefits: Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

1.20.3 Post-employment Benefits: Defined Benefit Plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

1.20.4 Post-retirement Health Care Benefits

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The **defined benefit** liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.20.5 Long-service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.21 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.

Municipality as Lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

ACCOUNTING POLICIES

Finance leases - lessee

The Municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the Municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. The Municipality will not incur a foreign currency lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

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 return on the remaining balance of the liability.

The finance lease assets are depreciated at the same rates as owned property unless the municipality will not obtain ownership. Where there is no reasonable certainty that the municipality will obtain ownership by the end of lease term, the leased assets are depreciated over the shorter of the lease and its useful life.

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

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

Municipality as Lessee (continued):

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. Other rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds etc. and is charged using the relevant approved tariffs.

1.21 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grant revenue that are recognised upon the service rendered or confirmation by the department are recognised at the date the payment is received by that department

Service Charges – exchange revenue

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

ACCOUNTING POLICIES

Service Charges – exchange revenue (continued):

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity – exchange revenue

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Sale of goods – exchange revenue

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

- the Municipality has transferred to the buyer 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;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rates and Taxes – non-exchange revenue

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 proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines – non-exchange revenue

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect. Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Revenue (interest earned/investment 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.

Donations and Contributions – non-exchange revenue

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

ACCOUNTING POLICIES

Transfers and subsidies – non-exchange revenue

Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year as and when received.

Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Transfers and subsidies – non-exchange expenditure

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

Related parties and related party transactions

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

Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.22 Value added taxes (VAT)

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991).

The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

The Municipality accounts for VAT on the cash basis.

1.23 Irregular expenditure

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

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

1.24 Unauthorised Expenditure

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

- (i) Overspending of the total amount appropriated in the municipality's approved budget.
- (ii) Overspending of the total amount appropriated for a vote in the approved budget.
- (iii) Expenditure from a vote unrelated to the department or functional area covered by the vote.
- (iv) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- (v) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or -
- (vi) A grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

1.25 Fruitless and wasteful expenditure

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

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

ACCOUNTING POLICIES

1.26 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation is disclosed in the notes 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.

1.27 Investment Property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also

generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;

- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 50 year period (land is not depreciated).

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use.

1.29 Stock issue classification

The classification of stock issue are dependent on the intention of the usage. If the intention is to issue a stock with the intention of repairing an asset such stock issue will be classified as repairs and maintenance whereas if the intention is not repair any asset the stock issue will be classified as inventory consumed

2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 April 2020 or later periods:

Standards

- GRAP 25 - Employee Benefits (Approved and Not Yet Effective)
- GRAP 103 - Heritage Assets (Approved and Not Yet Effective)
- GRAP 104 - Financial Instruments (Approved and Not Yet Effective)

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 3 Property, plant and equipment

Category	2022				2021			
	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value
Land	8 809 712	-	-	8 809 712	8 809 712	-	-	8 809 712
Machinery and Equipment	792 310	(615 795)	-	176 515	1 075 644	(827 874)	-	247 770
Furniture and Office Equipment	9 139 626	(5 647 157)	-	3 492 469	9 193 794	(7 928 258)	-	1 265 536
Transport assets	14 331 196	(7 378 201)	-	6 952 995	8 244 428	(6 871 714)	-	1 372 714
Computer equipment	2 791 044	(994 772)	-	1 796 272	1 490 045	(702 934)	-	787 111
Road Infrastructure	665 470 482	(298 830 773)	-	366 639 709	649 031 755	(287 449 780)	-	361 581 975
Community assets	267 479 853	(197 315 685)	-	70 164 168	266 599 156	(189 431 723)	-	77 167 433
Electrical Infrastructure	105 444 942	(64 784 820)	-	40 660 122	98 883 288	(62 821 015)	-	36 062 273
Solid Waste Infrastructure	357 679	(292 029)	-	65 650	357 679	(272 285)	-	85 394
Work in progress	31 837 013	-	-	31 837 013	37 077 190	-	-	37 077 190
Sanitation Infrastructure	227 025 413	(91 696 554)	-	135 328 859	227 025 413	(86 631 614)	-	140 393 799
Water Infrastructure	333 734 072	(153 717 375)	-	180 016 697	320 692 435	(145 883 177)	-	174 809 258
Total	1 667 213 343	(821 273 161)	-	845 940 182	1 628 480 539	(788 820 374)	-	839 660 165

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2022

Category	2022								
	Cost				Work in progress reconciliation				Closing balance
	Opening balance	Additions	Disposals	Transfer in/(out)	Opening balance	Correction of error/reclassification	Additions to WIP	Transfers (out)	
Land	8 809 712	-	-	-	-	-	-	-	8 809 712
Machinery and Equipment	1 075 644	-	(283 334)	-	-	-	-	-	792 310
Furniture and Office Equipment	9 193 794	4 020 109	(4 074 277)	-	-	-	-	-	9 139 626
Transport assets	8 244 428	6 096 768	-	-	-	-	-	-	14 331 196
Computer equipment	1 490 045	1 541 293	(240 294)	-	-	-	-	-	2 791 044
Road Infrastructure	649 031 755	-	-	16 438 727	13 186 450	-	10 300 288	(16 438 727)	665 470 482
Community assets	266 599 156	-	-	880 697	2 930 283	-	7 666 658	(880 697)	267 479 853
Electrical Infrastructure	98 883 288	688 000	192 745	6 066 400	3 746 242	-	6 685 418	6 066 400	105 444 942
Solid Waste Infrastructure	357 679	-	-	-	-	-	-	-	357 679
Work in progress	37 077 190	30 559 924	-	(35 800 101)	-	-	-	-	31 837 013
Sanitation Infrastructure	227 025 413	-	-	-	-	-	-	-	227 025 413
Water Infrastructure	320 692 435	627 360	-	12 414 277	17 214 513	-	5 907 560	(12 414 277)	333 734 072
Total	1 628 480 539	43 523 454	(4 790 650)	0	37 077 488	-	30 559 924	(35 800 101)	1 667 213 343

Category	2022						Closing balance	Net carrying value
	Accumulated depreciation and impairment							
	Opening balance	Correction to RUL	Depreciation	Disposals	Impairment			
Land	-	-	-	-	-	-	8 809 712	8 809 712
Machinery and Equipment	(827 874)	-	(29 029)	241 109	-	(615 795)	176 515	176 515
Furniture and Office Equipment	(7 928 258)	-	(1 962 693)	4 243 793	-	(5 647 157)	3 492 469	3 492 469
Transport assets	(6 871 714)	-	(506 487)	-	-	(7 378 201)	6 952 995	6 952 995
Computer equipment	(702 934)	-	(443 712)	151 874	-	(994 772)	1 796 272	1 796 272
Road Infrastructure	(287 449 780)	-	(11 380 993)	-	-	(298 830 773)	366 639 709	366 639 709
Community assets	(189 431 723)	-	(7 883 962)	-	-	(197 315 685)	70 164 168	70 164 168
Electrical Infrastructure	(62 821 015)	-	(1 963 805)	-	-	(64 784 820)	40 660 122	40 660 122
Solid Waste Infrastructure	(272 285)	-	(19 744)	-	-	(292 029)	65 650	65 650
Work in progress	(86 631 614)	-	(5 064 940)	-	-	(91 696 554)	135 328 859	135 328 859
Sanitation Infrastructure	(145 883 177)	-	(7 834 198)	-	-	(153 717 375)	180 016 697	180 016 697
Total	(788 820 374)	-	(37 089 563)	4 636 776	-	(821 273 161)	845 940 182	845 940 182

Reconciliation of property, plant and equipment - 2021

Category	2021								
	Cost				Work in progress reconciliation				Closing balance
	Opening balance	Additions	Disposals	Transfer in/(out)	Opening balance	Correction of error/reclassification	Additions to WIP	Transfers (out)	
Land	8 809 712	-	-	-	-	-	-	-	8 809 712
Machinery and Equipment	1 038 807	148 060	108 634	2 589	-	-	-	-	1 075 644
Furniture and Office Equipment	12 204 110	56 374	(184 399)	2 882 291	-	-	-	-	9 193 794
Transport assets	8 244 428	-	-	-	-	-	-	-	8 244 428
Computer equipment	3 777 800	714 568	(1 763 233)	1 239 090	-	-	-	-	1 490 045
Road Infrastructure	636 761 990	12 960 702	(690 937)	-	13 642 116	-	16 219 023	(16 674 689)	649 031 755
Community assets	265 392 358	1 206 798	-	-	1	-	4 137 080	(1 206 798)	266 599 156
Electrical Infrastructure	92 846 382	6 036 906	-	-	5 165 679	-	4 617 269	(6 036 906)	98 883 288
Solid Waste Infrastructure	357 679	-	-	-	-	-	-	-	357 679
Work in progress	65 251 743	84 226 860	-	(112 401 413)	-	-	-	-	37 077 190
Sanitation Infrastructure	218 753 031	8 973 663	(701 281)	-	3 120 949	-	3 774 211	6 895 160	227 025 413
Water Infrastructure	243 802 113	83 223 343	(6 333 021)	-	43 322 800	-	55 479 562	(81 587 849)	320 692 435
Total	1 557 240 153	197 547 274	(9 781 505)	(116 525 383)	65 251 745	-	84 227 145	(112 401 402)	1 628 480 539

Category	2021						Closing balance	Net carrying value
	Accumulated depreciation and impairment							
	Opening balance	Correction to RUL	Depreciation	Disposals	Impairment			
Land	-	-	-	-	-	-	8 809 712	8 809 712
Machinery and Equipment	(893 934)	2 615	(45 189)	108 634	-	(827 874)	247 770	247 770
Furniture and Office Equipment	(9 285 301)	2 376 466	(1 203 822)	184 399	-	(7 928 258)	1 265 536	1 265 536
Transport assets	(6 298 160)	-	(575 554)	-	-	(6 871 714)	1 372 714	1 372 714
Computer equipment	(3 688 435)	1 745 755	(623 487)	1 763 233	-	(702 934)	787 111	787 111
Road Infrastructure	(275 850 380)	233 173	(12 216 567)	383 994	-	(287 449 780)	361 581 975	361 581 975
Community assets	(181 370 022)	1 056 209	(9 117 910)	-	-	(189 431 723)	77 167 433	77 167 433
Electrical Infrastructure	(60 867 840)	61 072	(2 014 247)	-	-	(62 821 015)	36 062 273	36 062 273
Solid Waste Infrastructure	(252 541)	-	(19 744)	-	-	(272 285)	85 394	85 394
Work in progress	(81 030 289)	2 442	(6 003 814)	400 047	-	(86 631 614)	140 393 799	140 393 799
Sanitation Infrastructure	(144 968 304)	217 997	(5 408 218)	4 275 348	-	(145 883 177)	174 809 258	174 809 258
Total	(764 503 206)	5 695 729	(37 128 552)	7 115 655	-	(788 820 374)	839 660 165	839 660 165

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. Repairs and maintenance to property plant and equipment are included in note 31
There are no slow moving WIP projects
There are no restrictions to any of the Municipality's property plant and equipment.
During the current financial year, there was a change in the remaining estimated useful lives of the above assets

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 3 Property plant and equipment continued

Infrastructure and Community Assets: Annual review discussions were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and possible impairments were identified. In addition, insurance claims were also reviewed and considered as identifiers of possible impairment triggers. During physical field assessment, information pertaining to the condition and performance of these assets were recorded and further analysed to establish the impact on the value in use of identified components.

Moveable assets: During the asset verification, movable assets were identified that were not on the asset register. The assets were fair valued.

During the year Remaining Useful Lives have been reviewed on all depreciable assets. However, during the revaluation of infrastructure and the holistic approach adopted in the review of all asset portfolios. No assets were identified with remaining useful life that required to be changed. As a result, no change in accounting estimate are required during the current financial year.

Included on the face of the Statement of financial performance is the costs incurred for routine repairs and maintenance of fixed assets. These costs don't meet the definition of an asset, therefore, were expensed them during the current financial year.

	2022
Maintenance of Buildings and Facilities	-
Maintenance of Equipment	22 585 323
Maintenance of Unspecified Assets	-
	22 585 323
	<hr/> <hr/>
	2021
Maintenance of Buildings and Facilities	-
Maintenance of Equipment	18 321 343
Maintenance of Unspecified Assets	-
	18 321 343
	<hr/> <hr/>

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

THABAZIMBI LOCAL MUNICIPALITY

Note 4 Biological assets

2022		
Cost/Valuation	Fair value adjustment	Carrying value
Biological assets	482 100	291 000
		773 100
2021		
Cost/Valuation	Fair value adjustment	Carrying value
Biological assets	1 038 800	(556 700)
		482 100

Reconciliation of biological assets

2022			
Cost/Valuation	Transfers	Fair value adjustments	Carrying value
Biological assets	482 100	-	291 000
			773 100
2021			
Cost/Valuation	Transfers	Fair value adjustments	Carrying value
Biological assets	1 038 800	-	(556 700)
			482 100

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.

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

Note 5 - Intangible assets

	2022			2021		
	Cost	Accumulated Amortisation and Impairment	Carrying value	Cost	Accumulated Amortisation and Impairment	Carrying value
Computer Software	462 285	462 285	-	462 285	462 285	-
Total	462 285	462 285	-	462 285	462 285	-

Reconciliation of intangible assets - 2022

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	462 285	-	462 285	462 285	-	-	-
Total	462 285	-	462 285	462 285	-	-	-

Reconciliation of intangible assets - 2021

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	462 285	-	462 285	308 190	154 095	-	-
Total	462 285	-	462 285	308 190	154 095	-	-

THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

	2022			2021		
	Cost	Accumulated depreciation & impairment	Carrying value	Cost	Accumulated depreciation & impairment	Carrying value
Investment property	-	-	-	-	-	-
Total	-	-	-	-	-	-

Reconciliation of investment properties - 2022

	Cost				Accumulated Depreciation & Impairment			Carrying value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Impairment	
Investment property	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Reconciliation of investment properties - 2021

	Cost				Accumulated Depreciation & Impairment			Carrying value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Depreciation on disposal	
Investment property	-	-	-	-	-	-	-	-
Total	95 690 320	-	-	-	-	-	-	-

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. There are no restrictions on the title and nor the disposal of the investment properties. There are no investment properties pledged as securities for liabilities. Repairs and maintenance to investment properties was Rnil (2021: Rnil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 6 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank
Call deposits
Marketable securities
Petty cash

2022	Restated	2021
3 330 307		1 700 150
7 457 231		195 399
119 659		110 271
10 907 197		2 005 820

Bank Guarantee

-		-
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Call deposits and marketable securities earn interest rates depending on the market.

The municipality had the following bank accounts

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384
ABSA Bank Limited: Account Number 2057649514
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009
ABSA Bank Limited: Account Number 4058303004
ABSA Bank Limited: Account Number 4094737590
Petty cash

Total

Bank accounts	
30-Jun-22	30-Jun-21
7 365 775	110 465
91 455	84 934
119 659	110 271
807 479	1 591 369
-	-
2 522 828	108 780
10 907 197	2 005 821

The municipality had the following cash books

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384
ABSA Bank Limited: Account Number 2057649514
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009
ABSA Bank Limited: Account Number 4058303004
ABSA Bank Limited: Account Number 4094737590
Petty cash

Total

Cash book	
30-Jun-22	30-Jun-21
7 365 775	110 465
91 455	84 934
119 659	110 271
807 479	1 591 369
-	-
2 522 828	108 780
10 907 197	2 005 820

Thabazimbi Local Municipality has ceded R60430 to Development Bank of South Africa (DBSA). The account details as follows: ABSA Bank limited: Account number 2057649514

Note 7 Trade and other receivables from exchange transactions

Net customer service debtors

Customer service debtors comprise:

Electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Water
Service charges

6 864 009	7 014 220
1 147 376	825 412
2 864 094	1 989 325
12 023 352	13 015 502
654 565	537 639
23 553 395	23 382 098

Net other receivables

Other receivables comprise:

Land sale debtors
Merchandising Jobbing and Contracts
Property rental debtors
Other debtors

7 316	162
4 813 761	685 194
1 881 837	2 107 194
8 785 757	8 479 174
15 488 671	11 271 724

Total

39 042 066	34 653 822
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Gross customer service debtors

Gross customer service debtors comprise:

Electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Water
Service charges

34 180 389	32 708 682
71 050 591	57 852 115
111 238 426	91 585 026
181 803 353	155 402 791
3 055 954	2 726 594
401 328 713	340 275 208

Other gross receivables

Other receivables comprise:

Land sale debtors
Merchandising Jobbing and Contracts
Property rental debtors
Other debtors

249 356	238 814
80 676 225	79 760 869
4 746 155	4 419 070
8 785 757	8 479 174
94 457 493	92 897 927

Total

495 786 206	433 173 135
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 7 Trade and other receivables from exchange transactions (continued):

	2022	2021 Restated
Provision for customer service debtors		
Customer service debtors comprise:		
Electricity	(27 316 381)	(25 694 461)
Waste Management (Refuse)	(69 903 215)	(57 026 702)
Waste Water Management (Sewerage and sanitation charges)	(108 374 332)	(89 595 701)
Water	(169 780 001)	(142 387 288)
Service charges	(2 401 389)	(2 188 956)
	(377 775 318)	(316 893 108)
Provision for Other receivables		
Other receivables comprise:		
Land sale debtors	(242 040)	(238 653)
Merchandising Jobbing and Contracts	(75 862 464)	(79 075 676)
Property rental debtors	(2 864 319)	(2 311 875)
Other debtors	-	-
	(78 968 822)	(81 626 204)
Total	(456 744 140)	(398 519 312)

Aging of trade and other receivables from exchange transactions gross debtors - 2022

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	4 291 954	1 959 678	2 428 814	25 499 944
Merchandising Jobbing and Contracts	1 051	1 051	1 051	246 203
Property Rental Debtors	116 872	84 368	89 168	80 385 817
Service charges	53 966	53 230	52 349	4 586 611
Waste Management	20 039	131 469	66 954	2 837 492
Waste Water Management	1 949 316	1 435 105	1 386 508	66 279 662
Water	2 834 365	2 326 256	2 162 850	103 914 955
Land Sale Debtors	5 813 223	3 988 890	3 321 652	168 679 588
Other debtors	8 785 757	-	-	-
	23 866 542	9 980 047	9 509 346	452 430 272

Aging of trade and other receivables from exchange transactions gross debtors - 2021

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	5 468 236	2 880 943	1 804 051	22 555 451
Merchandising Jobbing and Contracts	406 331	344 471	323 541	78 686 526
Property Rental Debtors	54 076	52 822	52 234	4 259 939
Service charges	772 903	11 432	307 288	1 634 972
Waste Management	2 073 686	1 368 449	1 260 581	53 149 399
Waste Water Management	3 336 278	2 211 966	2 266 155	83 770 627
Water	5 714 978	3 558 623	4 361 174	141 768 017
Land Sale Debtors	1 084	2 329	2 291	233 111
Other debtors	8 479 174	-	-	-
	26 306 746	10 431 035	10 377 313	386 058 041

Reconciliation of the provision for impairment

Balance at the beginning of the year	(398 519 312)	(370 259 078)
Impairment losses recognised	(50 630 285)	(24 574 117)
Impairment losses reversed	-	-
Impairment VAT	(7 594 543)	(3 686 117)
Amounts written off as irrecoverable	-	-
	(456 744 140)	(398 519 312)

None of the trade and other receivables were pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 8 Trade and other receivables from non-exchange transactions

	2022	2021 Restated
Trade and other receivables from non-exchange transactions consist of:		
Property rates debtors	14 200 697	13 372 878
Traffic fines debtors	4 173 167	3 619 760
	18 373 863	16 992 638
Gross debtors		
Property rates debtors	132 921 895	110 792 063
Traffic fines debtors	4 173 167	3 619 760
	137 095 062	114 411 823
Less: Provision for impairment		
Property rates debtors	(118 721 199)	(97 419 188)
Traffic fines debtors	-	-
	(118 721 199)	(97 419 188)
Net debtors		
Property rates debtors	14 200 697	13 372 878
Traffic fines debtors	4 173 167	3 619 760
	18 373 863	16 992 638

Aging of property rates gross debtors - 2022

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	1 392 495	832 080	755 446	14 001 217
Agricultural Purposes	851 750	717 720	665 826	24 020 085
Industrial Properties	120 287	58 722	44 652	820 032
Mining Properties	1 391 446	941 981	939 710	11 002 759
Public Benefit Organisations	763	760	756	37 307
Residential Properties	4 848 102	2 184 281	2 016 498	62 911 499
State-owned Properties	267 785	121 460	119 924	1 856 553
	8 872 627	4 857 004	4 542 813	114 649 452

Aging of property rates gross debtors - 2021

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	1 749 275	791 825	820 094	17 039 496
Agricultural Purposes	1 209 667	677 239	537 209	18 081 054
Industrial Properties	111 422	51 647	58 921	525 328
Public Benefit Organisations	728	724	720	29 066
Residential Developed	5 483 809	2 437 518	2 183 163	46 721 026
Residential Vacant Land	1 019	614	1 311	90 334
State owned properties	841 448	28 213	248 184	631 865
Mining Properties	966 734	768 387	753 164	7 950 858
	10 364 102	4 756 167	4 602 766	91 069 028

Reconciliation of the provision for impairment

Balance at the beginning of the year	(97 419 186)	(85 215 125)
Impairment losses recognised	(18 523 489)	(10 612 227)
Impairment losses reversed	-	-
Impairment VAT	(2 778 523)	(1 591 834)
Amounts written off as irrecoverable	-	-
	(118 721 199)	(97 419 186)

None of the trade and other receivables from non-exchange transactions were pledged as security

Note 9 Inventories

Consumables	1 396 295	3 134 952
Materials and Supplies	1 166 342	1 166 342
Water	143 898	114 074
	2 706 534	4 415 368
Gross inventory		
Consumables	1 612 544	3 217 361
Materials and Supplies	1 166 342	1 166 342
Water	143 898	114 074
	2 922 784	4 497 777
Provision for redundant obsolete and slow moving stock		
Opening balance	82 409	82 409
Consumables	133 841	-
Materials and Supplies	-	-
Water	-	-
	216 250	82 409

No inventory was written-off during the period under review

No inventory was pledged as security for liabilities.

Inventory consumed for period under review amount to R 47,661,226 (2021: R 45,240,479)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 10 Borrowings

Development Bank of South Africa

Split as follows:

Non-current portion

Current portion (payable in the next 12 months)

2022	2021 Restated
	719 733
	719 733
-	719 733

The loan from DBSA bears interest at 9.62% and is redeemable in monthly instalments including interest until January 2022.

Note 11 Provisions

Environmental rehabilitation provision (Landfill sites)

Opening balance

Change in landfill closure provision

Interest cost

Correction of error

61 956 274	47 331 212
(14 430 294)	11 344 334
4 972 673	3 280 728
-	
52 498 653	61 956 274

The provision for environmental rehabilitation relates to the rehabilitation of the landfill sites and are split as follows:

Non-current portion

Current portion

50 539 735	59 668 121
1 958 917	2 288 153
52 498 652	61 956 274

The key financial assumptions used for the calculation of the landfill site provision are detailed below:

For Northam (old) landfill site

Consumer price inflation (CPI)

Discount rate

Net effective discount rate

6.609%	4.824%
9.359%	7.074%
2.75%	2.25%

For Northam (new) landfill site

Consumer price inflation (CPI)

Discount rate

Net effective discount rate

6.609%	4.824%
10.609%	7.074%
4.00%	2.25%

For Donkerpoort Leeupoort and Rooiberg landfill

Consumer price inflation (CPI)

Discount rate

Net effective discount rate

6.609%	4.824%
10.609%	8.824%
4.00%	4.00%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 12 Employee benefit obligations

Post-Retirement Medical Obligation	36 692 000	32 782 000
Long Service Awards	11 143 000	10 718 000
Total employee benefit obligations	47 835 000	43 500 000

Non-current portion

Post-Retirement Medical Obligation	36 027 000	32 174 000
Long Service Awards	9 573 000	9 299 000
	45 600 000	41 473 000

Current portion

Post-Retirement Medical Obligation	665 000	608 000
Long Service Awards	1 570 000	1 419 000
	2 235 000	2 027 000

12.1 Post-Retirement Medical Obligation

Balance at beginning of year	32 782 000	27 227 000
Current service cost	1 162 000	889 000
Interest cost	3 378 000	2 929 000
Actuarial (gain) / losses	(630 000)	1 737 000
Balance at end of year	36 692 000	32 782 000

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes most of which offer a range of options pertaining to levels of cover. Upon retirement an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement the surviving dependants may continue membership of the medical scheme.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by ARCH Actuarial Consulting a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Benefit are made up as follows:

In-service Members (Employees)	189	192
In-service Non-members (Employees)	127	138
Continuation Members (Retirees widowers and orphans)	16	15
Total members	332	345

The unfunded liability in respect of past service has been estimated as follows:

In-service Members (Employees)	25 459 000	22 601 000
In-service Non-members (Employees)	3 389 000	3 201 000
Continuation Members (Retirees widowers and orphans)	7 844 000	6 980 000
Total liability	36 692 000	32 782 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.1 Post-Retirement Medical Obligation (continued):

2022

2021
Restated

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- (i) Bonitas
- (ii) Keyhealth
- (iii) LA Health
- (iv) Samwumed
- (v) Sizwe Hosmed

The Current-service Cost for the year ending 30 June 2022 is R1,162,000 (2020: R889,000) whereas the cost for the ensuing year is estimated to be R1,372,000

The key financial assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate
Health Care Cost Inflation Rate
Net Effective Discount Rate
Average retirement age

11.85%	10.40%
8.46%	7.00%
3.13%	3.18%
62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at beginning of year
Current service cost
Interest cost
Actuarial (gain) / losses
Balance at end of year

32 782 000	27 227 000
1 162 000	889 000
3 378 000	2 929 000
(630 000)	1 737 000
36 692 000	32 782 000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations
Unfunded Accrued Liability

36 692 000	32 782 000
36 692 000	32 782 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost
Interest cost
Actuarial losses / (gains)

1 162 000	889 000
3 378 000	2 929 000
(630 000)	1 737 000
3 910 000	5 555 000

The effect of a 1% movement in the key assumptions is detailed below:

Increase:

Health care inflation rate
Discount rate

43 905 000 39 158 000
31 162 000 27 904 000

Decrease:

Health care inflation rate
Discount rate

30 962 000 27 725 000
43 729 000 39 001 000

The history of experienced adjustments is as follows:

	2022	2021	2020	2019
Present Value of Defined Benefit Obligation	36 692 000	32 782 000	27 227 000	27 227 000
Fair value of plan assets	-	-	-	-
Experience adjustments	(368 000)	(1 573 000)	1 038 000	(235 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.2 Long Service Awards

	2022	2021 Restated
Balance at beginning of year	10 718 000	9 575 000
Current service cost	942 000	870 000
Interest cost	908 000	674 000
Actuarial (gain) / losses	(1 425 000)	(401 000)
Balance at end of year	11 143 000	10 718 000

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years of continuous service and every 5 years of continuous service thereafter to 45 years to employees. The provision is an estimate of the long service based on historical staff turnover.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by ARCH Actuarial Consulting a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

At year end 316 (2021: 330) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2022 is estimated to be R942,000 (2021: R870,000) whereas the cost for the ensuing year is estimated to be R 1,372,000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	10.93%	9.06%
General earnings inflation rate (long-term)	7.34%	5.76%
Net Effective Discount Rate	3.34%	3.12%
Average retirement age	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	10 718 000	9 575 000
Current service costs	942 000	870 000
Interest cost	908 000	674 000
Actuarial (gains) / losses	(1 425 000)	(401 000)
	11 143 000	10 718 000

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	11 143 000	10 718 000
Unfunded Accrued Liability	11 143 000	10 718 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	942 000	870 000
Interest cost	908 000	674 000
Actuarial (gains) / losses	(1 425 000)	(401 000)
	425 000	1 143 000

The effect of a 1% movement in the key assumptions is detailed below:

Increase:		
General earnings inflation rate	2 206 000	11 349 000
Discount rate	1 942 000	10 126 000
Decrease:		
General earnings inflation rate	2 044 000	10 142 000
Discount rate	2 092 000	11 378 000

The history of liabilities assets and experience adjustments is as follows:

	2022	2021	2020	2019
Present Value of Defined Benefit Obligation	11 143 000	10 718 000	9 575 000	9 575 000
Fair value of plan assets	-	-	-	-
Experience adjustments	449 000	449 000	1 055 348	785 978

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 13 Consumer deposits

	2022	2021 Restated
Consumer deposits	4 575 658	4 358 175
	<u>4 575 658</u>	<u>4 358 175</u>

Note 14 Trade and other payables from exchange transactions

Current portion of trade and other payables from exchange transactions

Trade payables	186 484 468	220 116 497
Accrued interest		
Advance payments	10 204 530	16 199 546
Agency fees payable	10 526 384	15 542 356
Payroll clearing and control accounts	432 888	2 852 973
Inventory clearing and control account	650 411	650 411
Leave accrual	13 710 833	13 488 481
Bonus accrual	3 574 875	3 286 041
Unallocated deposits	11 101 524	5 964 873
Income received in advance	4 243 655	312 485
Retention	16 111 669	18 647 908
	<u>257 041 238</u>	<u>297 061 572</u>

Non-current portion of trade and other payables from exchange transactions

Trade payables (excluding unearned income)	101 375 087	151 878 214
Unearned income	99 140 155	
Total trade and other payables from exchange transactions	<u>457 556 479</u>	<u>448 939 786</u>

The Municipality has payment arrangements for various large outstanding creditors. The payment arrangements indicate that the debt is payable over a period which exceeds the current (12 months) term. The amount payable over and above a one year period has been disclosed as a non-current liability.

Below is the creditors that the municipality has entered into payment arrangement with:

1. Eskom
2. Magalies water
3. Auditor General South Africa
4. South African Revenue Service

Note 15 Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Integrated National Electrification Programme (INEP)	4 418 554	5 214 701
Human Settlements Development Grant	403 638	403 638
Municipal infrastructure grant (MIG)	13 959 998	6 837 902
Municipal water infrastructure grant (WSIG)	-	-
	<u>18 782 191</u>	<u>12 456 241</u>

See note 19 for a reconciliation of grants and receipts from National/Provincial Government.

Note 16 Property rates

Agricultural Property	8 908 265	7 283 375
Business and Commercial Properties	9 362 272	13 378 481
Industrial Properties	1 493 131	1 439 791
Mining Properties	22 620 110	17 362 458
Residential Properties	47 414 968	41 714 337
Correct of Error	-	1 312 372
State-owned Properties	642 545	938 836
	<u>90 441 290</u>	<u>80 804 907</u>

Valuations

Residential Properties	4 775 732 918	4 775 732 918
Business and Commercial Properties	1 755 462 407	1 755 462 407
State-owned Properties	171 897 925	171 897 925
Small holdings and farms	8 628 425 340	8 628 425 340
Social and vacant land	880 024 265	880 024 265
	<u>16 211 542 855</u>	<u>16 211 542 855</u>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Note 17 Fines

Traffic fines issued	<u>774 300</u>	<u>465 650</u>
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Note 18 Licence and permits

Licence and permits revenue comprise:

Trading licences	27 990	7 518
Drivers Licence Certificate		
	<u>27 990</u>	<u>7 518</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 19 Government grants and subsidies

Operating grants

Equitable share
Financial Management Grant (FMG)
Disaster Relief Grant (DRG)
Expanded public works programme grant (EPWP)

2022
2021
Restated

	2022	2021 Restated
Equitable share	111 953 000	116 315 000
Financial Management Grant (FMG)	3 100 000	3 000 000
Disaster Relief Grant (DRG)	-	-
Expanded public works programme grant (EPWP)	1 256 000	1 000 000
Total	116 309 000	120 315 000

Capital grants

Municipal infrastructure grant (MIG)
Integrated National Electrification Programme (INEP)
Municipal water infrastructure grant (WSIG)
Human Settlements Development Grant

Municipal infrastructure grant (MIG)	22 553 556	37 248 456
Integrated National Electrification Programme (INEP)	2 780 495	2 975 884
Municipal water infrastructure grant (WSIG)	12 302 327	43 223 662
Human Settlements Development Grant	-	7 827 814
Total	37 636 378	91 275 817

Total Government grants and subsidies

153 945 378 **211 590 817**

19.1 Equitable Share

The grant is an unconditional grant and is used for the provision of indigent support through free basic services.

19.2 Finance Management Grant

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

Balance unspent at beginning of year	-	-
Current-year receipts	3 100 000	3 000 000
Conditions met - transferred to revenue	(3 100 000)	(3 000 000)
Prior period error	-	-
Unspent amount at year end	-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA 2003. All conditions of the grant were met.

19.3 Disaster relief grant

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

Balance unspent at beginning of year	-	-
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Prior period error	-	-
Unspent amount at year end	-	-

The grant is used for COVID-19 disaster related expenses. All conditions of the grant were met.

19.4 EPWP grant

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

Balance unspent at beginning of year	-	-
Current-year receipts	1 256 000	1 000 000
Conditions met - transferred to revenue	(1 256 000)	(1 000 000)
Prior period error	-	-
Unspent amount at year end	-	-

The grant is used for extended public works programmes. All conditions of the grant were met.

19.5 Municipal Infrastructure Grant

Balance unspent at beginning of year
Disallowed roll-over
Current-year receipts
Conditions met - transferred to revenue
Transfer from Waterberg District

Balance unspent at beginning of year	6 837 902	602 358
Disallowed roll-over	(5 284 348)	-
Current-year receipts	34 960 000	43 484 000
Conditions met - transferred to revenue	(22 553 556)	(37 248 456)
Transfer from Waterberg District	-	-
Unspent amount at year end	13 959 998	6 837 902

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of household. All conditions of the grant were met.

19.6 Integrated National Electrification Grant (INEP)

Balance unspent at beginning of year
Disallowed roll-over
Current-year receipts
Conditions met - transferred to revenue
Prior period error

Balance unspent at beginning of year	5 214 701	3 010 585
Disallowed roll-over	(5 015 652)	-
Current-year receipts	7 000 000	5 180 000
Conditions met - transferred to revenue	(2 780 495)	(2 975 884)
Prior period error	-	-
Unspent amount at year end	4 418 554	5 214 701

This grant is used for electrification projects as part of upgrading of informal settlement areas.

19.7 Municipal water infrastructure grant (WSIG)

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

Balance unspent at beginning of year	-	4 095 956
Current-year receipts	12 302 327	39 127 707
Conditions met - transferred to revenue	(12 302 327)	(43 223 663)
Prior period error	-	-
Unspent amount at year end	-	-

This grant was used to construct basic municipal water services infrastructure to provide basic services for the benefit of household.

19.8 Human Settlements Development Grant

Balance unspent at beginning of year
Current-year receipts
Disallowed roll-over
Conditions met - transferred to revenue
Prior period error

Balance unspent at beginning of year	403 638	8 231 452
Current-year receipts	-	-
Disallowed roll-over	-	-
Conditions met - transferred to revenue	-	(7 827 814)
Prior period error	-	-
Unspent amount at year end	403 638	403 638

The Human Settlements Development Grant (HSDG) is a schedule 5 grant of which the objective is the creation of sustainable and integrated human settlements that enable improved quality of household life and access to basic services. No conditions of the grant were met and it remains unspent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 20 Service charges

Sale of electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Sale of water

2022	2021 Restated
84 250 607	78 828 549
17 096 316	15 952 580
28 397 211	25 177 697
49 858 504	42 676 500
179 602 638	162 635 325

Note 21 Rental of facilities and equipment

Rental income comprise of:
Rental of property
Community assets
Other assets

431 791	414 245
10 981	12 163
-	-
442 772	426 409

Note 22 Licences and permits

Drivers Licence Application/Duplicate Drivers Licences
Agency fee (Department of Transport)
Learners Certificate

-	-
4 674 106	4 754 054
-	-
4 674 106	4 754 054

Note 23 Other operational revenue

Collection Charges
Commission
Discounts and Early Settlements
Transaction Handling Fees
Incidental Cash Surpluses
Request for Information
Staff Recoveries
Building Plan Approval
Cemetery and Burial
Clearance Certificates
Fire Services
Photocopies and Faxes
Tender Documents
Skills development fund refunded
Town Planning and Servitudes

275	1 922
57 343	57 413
974 166	23 801
-	-
5 455	53 686
13 608	38 046
594 510	465 816
260 457	292 118
319 826	322 143
7 094	9 815
-	-
262	2 049
39 210	51 739
33 449	109 888
36 313	46 991
2 341 968	1 475 429

Note 24 Interest income

Interest Income comprises of:
Bank
Trade and other receivables non exchange transactions
Trade and other receivables exchange transactions

501 686	399 199
6 744 061	6 265 980
20 800 307	21 784 871
28 046 053	28 450 050

Note 25 Employee related costs

Basic salaries
Bonuses
Medical contributions
Pension contributions
Unemployment Insurance contributions
Bargaining Council
Travel or motor vehicle allowance
Standby allowance
Overtime
Leave pay
Change in leave accrual
Housing Benefits
Cellular and Telephone allowance
Post retirement benefits: Long service award: current service costs
Post retirement benefits: Medical: current service costs
Post retirement benefits: long service awards: actuarial (gains) / losses
Post retirement benefits: Medical: actuarial (gains) / losses

86 522 145	81 845 518
6 519 138	6 030 930
6 430 899	6 007 603
16 529 792	15 932 772
1 865 151	1 670 167
40 456	37 794
11 133 919	9 593 442
3 016 548	2 781 147
9 632 015	8 335 420
4 984 397	3 378 225
222 352	(3 597 763)
209 299	211 228
616 902	415 312
942 000	870 000
1 162 000	889 000
(1 425 000)	(401 000)
(630 000)	1 737 000
147 772 013	135 736 796

Remuneration of senior managers

Municipal Manager

Annual Remuneration
Travel allowance
Rural allowance
Bargain council and SDL
Cellphone allowance

	462 212
	72 000
	18 488
	5 222
	2 400
-	560 323

The position remained vacant for 12 months for the period under review

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 25 Employee related costs (continued):

Chief Financial Officer

Annual Remuneration
Car allowance
Acting Allowance
Bargain council and SDL
Rural allowance
Cellphone allowance

2022

2021
Restated

1 014 463	1 013 463
122 171	120 000
178 954	183 809
13 037	13 005
45 339	45 339
15 300	7 200
1 389 264	1 382 816

Director: Technical services

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

The position remained vacant for 12 months for the period under review

-	-
---	---

Director: Corporate Services

Annual Remuneration
Acting Allowance
Cellphone allowance
Other
Travel allowance

842 226	842 226
	92 850
15 300	7 200
51 904	51 784
222 890	211 458
1 132 321	1 205 517

Director: Planning and Development

Annual Remuneration
Acting Allowance
Car allowance
Cellphone allowance
Other
Travel allowance

798 447	798 447
124 058	
15 300	7 200
45 135	43 813
98 937	96 000
1 081 877	945 460

Director: Director Community Services

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

774 447	774 447
15 300	7 200
38 867	38 786
120 000	120 000
948 614	940 433

Note 26 Remuneration of councillors

Mayor
Speaker
Chief whip
Other councillors

875 436	912 159
725 349	741 181
337 276	695 413
7 458 297	7 005 229
9 396 359	9 353 982

Mayor

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

716 878	748 573
44 400	44 400
114 159	119 186
875 436	912 159

Speaker

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund and Medical Contributions

464 223	556 688
43 413	44 400
170 015	133 026
47 699	7 067
725 349	741 181

Chief whip

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

247 080	421 074
34 374	44 400
17 356	161 412
38 466	68 528
337 276	695 413

Other councillors

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

4 876 367	4 848 825
891 573	841 195
915 358	560 004
774 999	755 204
7 458 297	7 005 229

Note 27 Impairment loss

Impairment loss on property plant and equipment
Impairment loss on Intangible Assets
Inventory impairment: contributions to inventory impairment provision
Debt impairment: contributions to debt impairment provision

-	-
-	-
133 841	82 409
69 153 775	35 186 344
69 287 615	35 268 753

Note 28 Depreciation and amortisation

Property plant and equipment
Impact of change in estimated useful lives of asset***
Intangible assets

37 089 563	37 128 552
-	(5 695 729)
	-
37 089 563	31 432 823

***During the current financial year the remaining useful lives of the Municipality's infrastructure assets were re-estimated. The increased useful lives of the re-estimated figures resulted in a decrease in the depreciation. Please refer to note 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 29 Finance costs

Current borrowings (DBSA loan)
Landfill site interest
Interest cost on post-retirement benefits: Long service awards
Interest cost on post-retirement benefits: Medical
Finance lease interest cost
Interest on late payment to suppliers

2022	2021 Restated
23 646	132 689
4 972 673	3 280 728
908 000	674 000
3 378 000	2 929 000
238 707	-
10 422 788	12 047 583
19 943 814	19 064 000

Note 30 Bulk purchases

Electricity
Water

84 755 954	75 019 111
84 755 954	75 019 111

Note 31 Contracted services

Consultants and Professional Services

Business and Advisory services
Infrastructure and Planning services (Architectural)
Legal Advice and Litigation

6 802 556	6 217 959
4 719 009	8 982 069
11 521 564	15 200 028

Contractors

Catering Services
Maintenance of Buildings and Facilities
Maintenance of Equipment
Maintenance of Unspecified Assets
Safeguard and Security
Sewerage Services
Tracing Agents and Debt Collectors

25 691 298	18 633 308
3 745 264	4 026 159
1 450 529	1 296 418
-	-
30 887 090	23 955 885

Outsourced Services

Research and Advisory
Business and Advisory
Water Connection/Dis-connection
Professional Staff
Refuse Removal

2 212 872	3 131 196
(9 048)	-
119 584	182 636
-	-
2 323 408	3 313 833

Total contracted services

44 732 063	42 469 746
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Note 32 Operational costs

Advertising Publicity and Marketing
Communication
Prepaid vendor Commission
Bank Charges Facility and Card Fees
Contribution to provisions: Landfill site
Telephone Fax Telegraph and Telex
Postage/Stamps/Franking Machines
Entertainment
External Audit Fees
External Computer Service
Indigent Relief
Insurance Underwriting premiums
Learnerships and Internships
Municipal Services
Printing Publications and Books
Remuneration to Section 79 Committee Members
Professional Bodies Membership and Subscription
Skills Development Fund Levy
Travel and Subsistence
Uniform and Protective Clothing
Workmen's Compensation Fund

481 881	308 980
12 423 018	11 619 160
317 574	393 060
1 906 552	1 804 257
14 400	-
5 221 969	2 089
2 869 757	3 753 005
409 541	-
14 282	3 617 704
376 965	53 759
1 635 571	-
-	2 395
754 769	757 933
183 182	-
699 793	191 040
27 309 251	253 973
	1 363 255
	1 222 002
27 309 251	25 170 207

Note 33 Cash generated from operations

Surplus/(Deficit) for the year

Adjustments for non cash items:

Depreciation and amortisation
Impairment loss
Employee related costs provisions (Movement)
Donation in kind
Contribution to provisions: Landfill site
Bad debts
Indigent relief
Loss on disposal of assets
Fair value adjustment
Post retirement benefits: Long service award: current service costs
Post retirement benefits: Medical: current service costs
Post retirement benefits: long service awards: actuarial (gains) / losses
Post retirement benefits: Medical: actuarial (gains) / losses
Landfill site interest
Interest cost on post-retirement benefits: Long service awards
Interest cost on post-retirement benefits: Medical

(4 038 014)	53 628 848
37 089 563	31 432 823
69 287 615	35 268 753
(511 186)	6 698 000
(5 541 442)	-
(14 430 294)	-
(73 663)	-
2 869 757	-
153 874	-
(291 000)	-
(1 425 000)	-
(630 000)	-
4 972 673	-
908 000	-
3 378 000	-
1 708 834	1 305 419
(5 769 469)	(33 259 894)
(6 325 950)	-
217 483	-
11 437 474	(581 390)
90 523 461	28 319 278
182 602 717	122 811 837

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 34 Commitments

34.1 Capital expenditure

Approved and contracted for:
- Infrastructure assets

Approved and not yet contracted for:
- Infrastructure assets

Total capital commitments

	2022	2021 Restated
	127 856 271	56 255 284
	-	-
	<u>127 856 271</u>	<u>56 255 284</u>

34.2 Lease commitments

The municipality has the following rental arrangements which are currently on a month to month rental basis until such a time that the leases are renewed. The leases are expected to be renewed within the next financial year once the terms are agreed with the lessor. There is currently therefore no future lease commitments payable by the municipality until the lease agreements are signed. The monthly lease rentals payable to the lessor are as follows:

Property

Erf 361 Thabazimbi Ext 3
Erf 369 Thabazimbi Ext 3
Rental of printing machines

	Current Monthly rental	Yearly rental
	141 126	122 718
	256 275	256 275
	-	-

34.3 Other operational commitments

The operational commitment related to the security contract that the Municipality has. The amount charged is R11271.13 per grade C guard per month for a day shift and the same amount for a night shift.

Note 35 Fruitless and wasteful expenditure

Opening
Current year fruitless & wasteful expenditure
Less: Recovered
Less: Written-off
Prior period adjustment

	133 036 231	129 468 278
	10 415 786	12 047 583
		-
		(8 479 630)
		-
	<u>143 452 017</u>	<u>133 036 231</u>

Details of fruitless and wasteful expenditure

Interest and penalties

10 415 786 12 047 583

Cases under investigations

As at 30 June 2022 there were no investigation conducted by the council

Amount written off

Fruitless and wasteful expenditure written-off during the year under review is R0 (2021: R8,479,630)

Note 36 Irregular expenditure and Unauthorised expenditure

36.1 Irregular expenditure

Opening balance
Current year irregular
Transferred to receivables
Written off

Irregular expenditure awaiting condonement

	384 492 659	363 886 614
	8 273 270	60 101 966
		(39 495 921)
	<u>392 765 929</u>	<u>384 492 659</u>

Incidents/cases reported in the current year include those listed below:

	Reason for non compliance	Legislation contravened	
Competitive bidding	Contract expired	SCM ReG 36 & MFMA 116(3)	6 904 673
Competitive bidding	Tax non-compliance	SCM Reg 43 & MFMA 112(1)	1 368 596
			<u>8 273 270</u>

Cases under investigations

Investigations are in still in progress regarding 2 (2018:1), which are all related to non-compliance with the procurement process requirements

Amount written off

Irregular amount written-off during the year under review is R0 (2021: R39,495,921)

The Municipality will report irregular expenditure to Council MEC for Local Government Treasury and AGSA.

36.2 Unauthorised expenditure

Opening balance
Current year unauthorised
Correction of error

Unauthorised expenditure awaiting condonement

	554 137 169	513 485 856
	91 902 163	40 651 313
	<u>646 039 332</u>	<u>554 137 169</u>

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

Non cash items	66 363 178	
cash items	25 538 985	
	<u>91 902 163.27</u>	-

Analysed as follows: non-cash items

Employee-related cost		
Depreciation and amortisation	4 666 562.75	
Provision for impairment	61 696 615.43	
	<u>66 363 178.17</u>	-

Analysed as follows: non-cash items

Employee related costs	798 012.74	
Finance charges	6 443 814.12	
Other expenditure	18 297 158.24	
	<u>25 538 985.10</u>	-

Cases under investigations

As at 30 June 2022 there were no investigation conducted by the council

Amount written off

Unauthorised expenditure written-off during the year under review is R0 (2021: R...)

The Municipality will report unauthorised expenditure to Council MEC for Local Government Treasury and AGSA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

36.3 Deviations 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 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 these are reported appropriately in the annual financial statements.

The amounts below represent the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2020/21 financial year in terms of the Supply Chain Management Regulations amounted to R373,700 (2021: R1,921,088)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

36.3 Deviations from supply chain management regulations (continued):

Description and reason of deviation	2022
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT AND PAYMENT TO A SERVICE PROVIDER FOR SERVICE AND REPAIR OF REFUSE TRUCK CTS 492 L (SOLE PROVIDER). On the 13th of July 2021, The Refuse Truck CTS 491 L (Mercedes-Benz) went for servicing at Maemo Motors Commercial Vehicle which is a franchised Dealer that deals with Mercedes-Benz,smart and FUSO Vehicles (for servicing the refuse truck).	31 818
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT AND PAYMENT TO A SERVICE PROVIDER FOR SERVICING THE REFUSE TRUCK CTS 492 L, SCM REGULATION 36, (SOLE PROVIDER). The Refuse Truck CTS 491 L (Mercedes-Benz) had to be serviced again at Maemo Motors Commercial Vehicle. A franchised Dealer that deals with Mercedes-Benz,smart and FUSO Vehicles (for servicing the refuse truck).	51 441
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – PAYMENT TO PLATINUM PUBLISHERS FOR RENDERING ADVERTISING SERVICES (LOCAL NEWSPAPER). SOLE PROVIDER. On the 07th of October 2021, payments (invoices) for services rendered by in the Local Newspaper (PLATINUM PUBLISHERS). Such goods and/or services are produced or available from this single provider around the Thabazimbi (PLATINUM PUBLISHERS), REG 36(a)(ii).	108 193
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES - MAKE PAYMENT TO A SERVICE PROVIDER FOR CALIBRATION OF PROLASER/TRUVELO LIDAR, CALIBRATION OF D-CAM AND BATTERY LEADACID SEALED RECHARGEABLE, SCM REGULATION 36. On the 29th of September 2021, the above speed measuring equipment has expired together with the two batteries that are old since the D-CAM speed machine was purchased. The Equipment is important for Law Enforcement daily duties.	16 203
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT TO A SERVICE PROVIDER FOR SERVICE AND REPAIR OF REFUSE TRUCK CWF 360 L (SOLE PROVIDER). The Refuse Truck CWF 360 L (Mercedes-Benz) had to be serviced again at Maemo Motors Commercial Vehicle. A franchised Dealer that deals with Mercedes-Benz,smart and FUSO Vehicles (for servicing the refuse truck). This refuse truck CWF 360 L is a Mercedes-Benz model which can only be serviced by a Franchise that deals with Mercedes-Benz. The Refuse Truck CWF 360 L needs servicing for proper maintenance and to be in good condition in order to fulfil providing good service delivery to the community.Appointing this service provider for servicing the Refuse Truck CWF360L will assist in remedying the situation, through regulation 36.	37 011
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENTPAYMENT TO A SERVICE PROVIDER FOR SERVICE AND REPAIR OF LAW ENFORCEMENT COUNCIL VEHICLE FFP433L (SOLE PROVIDER). The FFP 433L (Toyota) had to be serviced again at Waterberg Toyota. A franchised Dealer that deals with Toyota (for servicing the law and enforcement). This law and enforcement FFP 433 L L is a Toyota corolla quest model which can only be serviced by a Franchise that deals with Toyota. The Law and enforcement FFP 433 L council vehicle is out of a motor service plan and its due for servicing so that it can be properly maintained and is in good condition in order to fulfil providing good service delivery to the community.Appointing this service provider for servicing the Law and Enforcement Council Vehicle FFP 433 L will assist in remedying the situation, through regulation 36.	3 567
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT AND PAYMENT TO A SERVICE PROVIDER FOR SERVICE AND REPAIR OF REFUSE TRUCK CWF 360 L(SOLE PROVIDER). On the 21th of February 2022, The Refuse Truck CWF 360 L (Mercedes-Benz) went to Maemo Motors Commercial Vehicle which is a franchised Dealer that deals with Mercedes-Benz,smart and FUSO Vehicles where the refuse truck clutches was repaired.	84 242
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENTAND PAYMENT TO A SERVICE PROVIDER (LEXIS NEXIS) FOR PURCHASING OF NEW AMENDED NATIONAL ROAD TRAFFIC ACT NO.23 OF 1996. On the 04 November 2021, Community Services department requested the approval for payment to the service provider in purchasing of new amended National Road Traffic Act No.23 Of 1996 in order for Thabazimbi Local Municipality licensing Department to meet the terms required by the National Road Traffic Act relating to Issue 59 &60 .Its recommend that LEXIS NEXIS should to be awarded as our supplier in for purchasing of new amended national road traffic act no.23 of 1996 in respect of Thabazimbi licensing Department to comply with National Traffic Act because such services are produced or available only from LEXIS NEXIS. They are the only company that issue 59 & 60 can be purchased from a payment for a service provider for purchasing of a new amended national road traffic act no.23 of 1996 to remedy the situation.	2 889
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINT AND MAKE PAYMENT TO A SERVICE PROVIDER FOR CALIBRATION OF K53 MOTORCYCLE TEST SYSTEM, SCM REGULATION 36. On the 01 February 2022, the above K53 Motorcycle Test system is used to measure the speed of a motor vehicle. The Equipment is important for Law Enforcement daily duties.	5 263
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT AND PAYMENT TO A SERVICE PROVIDER FOR REPAIRS OF TWO HARD DRIVES (VIOLATIONS MANAGEMENT & MONITOR) AND THE D-CAM SPEED CAMERA, SCM REGULATION 36. On the 20th of January 2022, the above in repairs of two hard drives and the D-CAM speed camera equipment that need immediate repairs and attention since the equipment hasn't been utilised for the period of five (5) years. The D-CAM speed machine was purchased and needs to be fixed for collection of outstanding revenue and outing traffic fines. The Equipment is important for Law Enforcement daily duties to be compliance with the National Road Traffic Act 93 of 1996 and Criminal Procedure Act 51 of 1977.	7 003
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – APPOINTMENT AND PAYMENT TO A SERVICE PROVIDER (WORKSHOP ELECTRONICS) FOR REPAIRING OF AXLE MASS METER LOAD SENSORS. On the 17 December 2021, Community Services department requested the approval for payment to the service provider assisting in repairing axle mass meter load sensors for Thabazimbi vehicle Testing Station. Its recommend that WORKSHOP ELECTRONICS should to be awarded as our supplier in installing and repairing axle mass meter load sensors in respect of Thabazimbi vehicle Testing Station to comply with National Road Act because such services are produced or available only from WORKSHOP ELECTRONICS (PTY) LTD. They are the only company that can calibrate and set these equipment's a payment for a service provider in repairing axle mass meter load sensors to remedy the situation.	6 170
DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES – URGENT APPOINTMENT TO A SERVICE PROVIDER FOR AMPUTATION OF A PATIENT (EMPLOYEES) FINGER, REGULATION 1 (a)(i) (vi). On the 30th of March 2022, Joseph Moatshe an employee (Civil Department) was injured on his finger and was immediately sent/admitted to KUISMEND (Dr P.M De kock Vennootskap t/a) to be treated, resulting to the Doctors assessment that the employee finger needs to be amputated.	19 900

373 700

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 37 Prior period errors and reclassifications

2021

Property plant and equipment

Previously report	834 133 745
Add: Work in progress: water infrastructure asset was previously not reported	5 526 615
<i>Invoices relating to water infrastructure were omitted in 2021 financial year. This resulted in the work in progress being previously understated by R5,526,615 exclusive of VAT.</i>	
<i>In terms of GRAP 16 land that held by the council and the purpose of such land having not been established should classified as investment property</i>	

Cash and cash equivalents

Less: Petty cash incorrectly disclosed	2 011 261
	(5 441)
Restated	2 005 820
<i>Municipality incorrectly reported that the petty cash amount to R5,441 was on hand. It was later established that there was no cash on hand as at 30 June 2021</i>	

Accumulated surplus

Previously reported	402 582 338.00
Less: Petty cash incorrectly posted*	- 5 441.34
Add prior year casting error**	- 336 166.77
Restated	402 240 730
<i>*Municipality incorrectly reported that the petty cash amount to R5,441 was on hand. It was later established that there was no cash on hand as at 30 June 2021</i>	
<i>**Municipality omitted R336,167 while processing accumulated surplus in 2021 financial year</i>	

Current portion of trade and other payables from exchange transactions

Current portion of trade and other payables from exchange transactions previously reported 292 312 007

Trade payables

Trade payables previously report	215 740 602
Less: creditors understated	3 687 330
Trade payables restated	219 427 932
<i>Invoices relating to water infrastructure were not captured in 2021 financial year yet the invoice was between June 2021. This resulted in the creditors being previously understated by R5,981,937 inclusive of VAT.</i>	
<i>Other creditors such as AGSA and UMS fees were incorrectly account during year under audit instead of the previous year</i>	

Retention

Previously report	18 274 238
Add: Retention paid but previously not recorded	373 670
Restated	18 647 908
<i>Invoices relating to water infrastructure were not captured in 2021 financial year yet the invoice was between June 2021. This resulted in the retention being previously understated by R373,670 inclusive of VAT.</i>	

Current portion of trade and other payables from exchange transactions restated

296 373 008

Inventory consumed

Previously report	11 316 872
Add: water consumed previously classified as bulk purchase	33 923 607
Restated	45 240 479
<i>Municipality previously incorrectly reported inventory water (stock issues) as a bulk purchase expense, this was not in line with GRAP 12</i>	

Bulk purchases

Previously report	108 942 718
Less: water consumed previously classified as bulk purchase	(33 923 607)
Restated	75 019 111
<i>Municipality previously incorrectly reported inventory water (stock issues) as a bulk purchase expense, this was not in line with GRAP 12</i>	

Contribution to provisions: Landfill site

Previously report	
Add: change in landfill estimates after inception previously classified as finance cost	11 344 334
Restated	11 344 334
<i>Municipality incorrectly previously reported landfill change in estimates as a finance cost instead Gain/Losses in line with GRAP 1</i>	

Finance costs

Previously report	30 408 334
Less: change in landfill estimates after inception reclassified to Contribution to provisions: Landfill site	(11 344 334)
Restated	19 064 000
<i>Municipality incorrectly previously reported landfill change in estimates as a finance cost instead Gain/Losses in line with GRAP 1</i>	

Depreciation and impairment

Previously reported	31 432 624
Add: depreciation previously not accounted for	199
Restated depreciation	31 432 823
<i>***For detailed narrations refer to property plant and equipment restatement narration</i>	

VAT receivable

Previously report	76 738 069
Less: VAT for water infrastructure asset was previously not reported	828 990
Restated	77 567 059
<i>Invoices relating to water infrastructure were not captured in 2021 financial year yet the invoice was between June 2021. This resulted in the VAT being previously understated by R828,990.</i>	

The correction above impacted the following components:

	Previously presented	Reclassification	Correction of error	Restated amount
Statement of financial position				
Property plant and equipment	834 133 745		7 037 214	841 170 959
Cash and cash equivalents	2 011 261		(5 441)	2 005 820
VAT receivable	76 738 069		828 990	77 567 059
Current portion of trade and other payables from exchange transactions	292 312 007		4 061 001	296 373 008
Retained earnings	402 582 338		4 448 588	407 030 926
Statement of financial performance				
Bulk purchases	108 942 718	(33 923 607)		75 019 111
Inventory consumed	11 316 872	33 923 607		45 240 479

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Finance costs	30 408 334	(11 344 334)	19 064 000
Contribution to provisions: Landfill site	-	11 344 334	11 344 334

Note 38 Additional disclosure in terms of Municipal Finance Management Act

2022

2021

38.1 Material losses

Material losses through the distribution of electricity

Units purchased in KWh x Average price lost	(76 197 338)	(55 865 007)
Units sold during the year in KWh x Average price lost	69 990 271	46 350 716
	<u>(6 207 068)</u>	<u>(9 514 291)</u>
Percentage lost	8%	17%

Unit of lost in kWh

	<u>11 752 967</u>	<u>16 306 420</u>
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The electricity losses can be classified into technical losses and non-technical losses. Technical losses relate to energy that is lost in the transportation of the electricity from point of supply to point of distribution through evaporation. Non-technical losses are attributable mainly to theft bypass of meters illegal recalibration of meters damaged meters transformers etc. Units lost during the year were 11 752 967 KWh (2021: 16 306 420 KWh) at average price of R143 (2021: R109)

Material losses through distribution of water losses

Units purchased in KL x Average price lost	(49 416 012)	(31 096 927)
Recorded billing during the year in KL x Average price lost	42 386 305	13 191 642
	<u>(7 029 706)</u>	<u>(17 905 285)</u>
Percentage lost	14%	58%

Units lost during the year were 5 083 824 KL (2021: 2 520 420 KL) at average price of R7.639 (2021: R7.103)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

38.2 Contributions to organised local government

Opening balance	7 835 322	6 322 390
Current year fees	1 635 571	1 512 932
Amount paid - current year	-	-
Closing balance	9 470 893	7 835 322

38.3 Auditor's remuneration

Opening balance	14 302 337	9 508 398
Current year fees	7 074 424	7 424 729
Correction of error	-	-
Write-offs	-	(312 832)
Amount paid - current year	(4 641 928)	(2 317 958)
Closing balance	16 734 833	14 302 337

38.4 PAYE SDL and UIF

Opening balance	10 569 557	8 812 521
Current year subscription / fee	21 637 211	21 717 071
Amount paid - current year	(26 543 900)	(19 960 035)
Closing balance	5 662 868	10 569 557

The amounts represent PAYE SDL and UIF.

38.5 Pension and Medical Aid Deductions

Opening balance	920 526	2 984 068
Current year subscription / fee	23 936 013	21 567 790
Amount paid - current year	(24 435 823)	(23 631 332)
Closing balance	420 716	920 526

38.6 VAT

VAT receivable	66 129 586	77 567 062
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Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors . All VAT returns for the year have been submitted.

38.7 Councillors' arrear consumer accounts

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

	2022		Total
	Outstanding less than 90 days	Outstanding more than 90 days	
KGOTLHANG RH	10 765	174 765	185 530
ERASMUS FJ	61	-	61
RAMOABI T	3 045	32 779	35 824
MAGETSE MK	1 975	12 302	14 277
KHALUNGA TN	1 451	9 926	11 377
SWANEPOEL JEA	3 339	19 489	22 828
MASILO JK	27 409	69 618	97 027
MOGAPI JM	4 921	90 297	95 218
SESOMA KA	3 600	125 016	128 616
SIKWANE CS	2 068	15 826	17 894
STEENKAMP C	884	-	884
MANYAMA R	460	24 514	24 974
	59 978	574 532	634 510

	2021		Total
	Outstanding less than 90 days	Outstanding more than 90 days	
RAMOGALE AR	53 415	82 784	136 199
FISHER JM	81 407	3 601	85 008
RAMOABI T	29 847	2 879	32 726
SEROLE A	33 470	677	34 148
MAKHUBELA GM	11 300	8 905	20 205
NDLOVHU S	84 005	8 786	92 791
HEARNE T	-	6 392	6 392
TSHELANOKOANA SM	53 992	6 145	60 137
SIKWANE CS	9 875	1 894	11 769
MOKGOMO SM	27 745	3 140	30 885
MANYAMA R	22 981	545	23 526
	408 036	125 749	533 786

38.8 Finance Lease Obligations

	2022	2021
Minimum lease payments due:		
- within one year	1 499 016	-
- in the second to fifth year inclusive	1 787 186	-
less: future finance lease charges	3 286 202	-
Present value of minimum lease payments	(470 405)	-
	2 815 797	-
Present value of minimum lease payments due:		
- within one year	1 283 761	-
- in the second to fifth year inclusive	1 532 036	-
	2 815 797	-
Non-current liabilities	1 532 036	-
Current liabilities	1 283 761	-
	2 815 797	-

The Municipality leases certain office equipment (printers) and these are classified as finance leases. The lease term of these assets is three years. The Municipality has used the incremental borrowing rate of 9.62% to amortise these finance leases. The carrying values of the leased assets are included under property plant and equipment. No contingent rents have been expensed during the period. The leasing arrangement has no terms of renewal or purchase options and escalation clauses. There are no restrictions imposed by lease arrangement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 39 Comparison of the budget to actual amounts

Explanation on material differences between the final budget and actuals for the year ended 30 June 2022

- 39.1 Rental of facilities and equipment** - An arrangement with a one of the municipal customers was entered to offset her rental billing against the sewage leakage that transpire within her household hence the decline of revenue
- 39.2 Fines Penalties and Forfeits** - Implementation of road blocks, this then resulted in a sharp increase in traffic fine issued. This increase was not anticipated thus the actual amount was greater than the budgeted amount
- 39.3 Licences and permits** - The municipality did not anticipate that the most renewal license will increase due to the extension department of transport extending the renewal period
- 39.4 Transfers recognised** - A delay in appointment of services provides and the constitutional rulling that resulting into National Treasury failing to interpret the judgement also contributed in grant spending which ultimately affected the grant recognition
- 39.5 Other revenue** - Donations of assets contributed to the spike increase in other revenue as compared to the budget
- 39.7 Depreciation and asset impairment** - Assets which were completed during prior year were fully utilised during year under review as well addition review of estimated useful life in line with GRAP 3. This factors were not fully factored in during the budget
- 39.8 Finance charges** - Municipality procured a equipment which are classified under finance lease. The finance cost portion was not factored in during the budget hence the spike increase in actual figures as compared to the budgeted amount
- 39.9 Bulk purchases** - Multiple Loadshedding and load reduction as well power leaks resulted in the decline of electricity purchased during the year under review as compared to the budget
- 39.10 Contracted services** - A directive from national treasury that prevents the state organs to procure the goods above R30000.00 unless the state organs has applied to the national treasury for exemption contributed enormously to the decline in spending. This was further exacerbated by the non response from national treasury when the municipality applied for the exemption.

Note 40 Related Parties

All related party transactions are conducted at arms length unless otherwise stated.

40.1 Management

Municipality has the following senior managers who may have significant influence over the financial and/or operating policies of the municipality.

Names	Title
Mr. LG Tloubatla	Chief Financial Officer
Mr. JJ van der Merwe	Corporate Services
Ms. L Makaya	Planning & Development
Mr. S Pilane	Community Services

Refer to note 25 for the disclosure of their remuneration.

40.2 Councillors

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All the Councillors are listed on page 1 of the Annual Financial Statements.

Refer to note 26 for the disclosure of their remuneration.

Note 41 Financial Instrument

In accordance with GRAP 104.13 the financial assets and liabilities of the municipality are classified as follows:

Financial assets at amortised cost

Trade and other receivables from exchange transactions
Trade and other receivables from non-exchange transactions

Financial assets at fair value

Cash and cash equivalent

Financial liabilities at amortised cost

Borrowings
Consumer deposits
Trade and other payables from exchange transactions

	2022	2021 Restated
Trade and other receivables from exchange transactions	39 042 066	34 653 822
Trade and other receivables from non-exchange transactions	18 373 863	16 992 638
Cash and cash equivalent	10 907 197	2 005 820
	68 323 126	53 652 280
Borrowings	-	719 733
Consumer deposits	4 575 658	4 358 175
Trade and other payables from exchange transactions	358 416 325	448 939 786
	362 991 983	454 017 694

Note 42 Indigent debts written off

There were no indigent debts write off during the year (2021: Rnil).

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 43 Risk management

Financial risk management objectives

Due to the nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by many entities. The municipality's Finance department monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Liquidity risk

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

2022	<= 1 Month	> 1 Month <= 3 Months	> 3 Months <= 1 Year	> 1 Year <= 5 Years	Total
Borrowings	-	-	-	-	-
Unspent grants	-	18 782 191	-	-	18 782 191
Consumer deposits	-	-	4 358 175	-	4 358 175
Retentions	-	-	16 111 669	-	16 111 669
Finance lease	-	-	1 283 761	1 532 036	2 815 797
Trade and other creditors	257 041 238	-	-	-	257 041 238
	257 041 238	18 782 191	21 753 604	1 532 036	299 109 069

2021	<= 1 Month	> 1 Month <= 3 Months	> 3 Months <= 1 Year	> 1 Year <= 5 Years	Total
Borrowings	109 200	218 400	955 909	686 619	1 970 128
Unspent grants	-	15 940 351	-	-	15 940 351
Consumer deposits	-	-	4 178 703	-	4 178 703
Retentions	-	-	13 583 391	-	13 583 391
Trade and other creditors	-	-	-	176 878 214	176 878 214
	109 200	16 158 751	18 718 003	177 564 833	212 550 787

Credit risk

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

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

Financial instrument	2022	2021 Restated
Call deposits	7 457 231	195 399
Current accounts	3 330 307	1 700 150
Marketable securities	119 659	110 271
Trade and other receivables	39 042 066	34 653 822
	49 949 263	36 659 642

Trade and other receivables for government department are not impaired.

Trade and other receivables that are neither past due nor impaired are as follows:

	2022	2021 Restated
Trade and other receivables	32 739 169	36 670 848

Debtors are impaired based on the aging of the debt. Government/Public infrastructure debt is deemed 100% collectable and is not provided for. Indigent and Pending indigent debt is provided for at 100%. When a debtor has a past due balance, any payment received will be allocated against the debtors oldest balances. Current debts (neither past due nor impaired) represent a mixture of high, medium and low quality credit standings.

**THABAZIMBI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 43 Risk management (continued):

Trade and other receivables that are past due but not impaired as at year end are as follows:

	2022	2021 Restated
31 - 60 days	14 837 050	15 187 201
61 - 90 days	14 052 158	14 980 079
Greater than 91 days	567 079 724	477 127 070
	<u>595 968 932</u>	<u>507 294 350</u>

No trade and other receivables are individually determined to be impaired at year end.

Interest rates risk

As the municipality has no significant interest bearing assets, the municipality 's income and operating cashflows are substantially independent of changes in market interest rates. At year end , the financial instruments exposed to interest rate risk were as follows:

	2022	2021 Restated
Call deposits	7 457 231	195 399
Marketable securities	119 659	110 271
	<u>7 576 890</u>	<u>305 670</u>

Trade debtors are charged interest at fixed rates determined by the municipality. Therefore these financial instruments do not attract exposure to interest rate risk. Interest rate risk is linked to the Repo rate as determined by the Reserve Bank. The Reserve Bank ordinarily only changes the Repo Rate by an increase or decrease of 0,25%. A 0,25 % increase or decrease would not have a material effect on the municipalities interest bearing assets and its surplus/deficit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 44 Going concern assessment

Management considered the following matters relating to going concern:

Risk areas	Future plans to mitigate risk identified
i) Key management positions are currently vacant.	Key management posts which are currently vacant have been advertised and will be filled in 2022/23 financial year.
ii) The municipality is net current liability position	The net current liability position is as a result of long outstanding creditors, however, there are payment arrangements in place to reduce and/or restructure the debts and they are currently being honoured. The municipality has a Funding Plan that is regularly updated. The management is entered in an arrangement with DBSA to assist developing revenue enhancement strategy. This strategy will assist in ensuring the debtors pay within the prescribed time. Management is also in the process of reviewing cost containment strategy. upon approval of this policy, municipality will be able to reduce unnecessary cost and where possible, reduce the cost of consulting
iii) key financial ratios are adverse (Debtors impairment as a percentage of accounts receivables, Creditors payment period, Debtors collection period)	
iv) The municipality is struggling to pay creditors on due dates	
v) Pending legal or regulatory proceedings against the municipality that may, if successful, result in claims that the municipality is unlikely to be able to satisfy.	

Additional future plans to mitigate risk identified

- (i) During May 2022 the council adopted the 2022/2023 Budget. This three year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three year period.
- (ii) The municipality's Budget is subject to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risk and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in on going inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors collection rates and creditors payment terms are closely monitored and the necessary corrective actions instituted (such as payment arrangements etc.).

Taking the aforementioned into account, management has prepared the annual financial statements on the Going Concern Basis.

Note 45 Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 37).

Note 46 Events after the reporting date

No events having implications requiring disclosure occurred subsequent to 30 June 2022.

Note 47 Private Public Partnerships

The municipality was not party to any Private Public Partnerships during the year under review.

Note 48 In-kind donations and assistance

The municipality was donated assets by the mines operating within the boundaries of the municipalities for a of R5,541,441.76 (VAT exclusive). This has been reported as revenue from non-exchange

Note 49 Contingent assets

(1) EVICTION REGOROGILE/APIESDOORNS/ROSSAUSPOORT

Unlawful occupying of portion 1,2,3,49,50,51,52,53,56 & 57 of erf 1731, Thabazimbi Regorogile. Application in the Magistrates court for the eviction of illegal squatters in Regorogile. Application is opposed. Matter to be heard in August 2022.

(2) EVICTION RAPUTI

Unlawful occupying of portion situated at the remaining extent of the farm Welkrans 539, Limpopo. Application in the Magistrates court for the eviction of illegal squatters in Leeupoort. Application is opposed. Application in the Magistrates court for the eviction of illegal squatters in Leeupoort. Application is opposed.

Note 50 Contingent liabilities

Note 50.1 Court proceedings

2022

2021
Restated

(1) H JBadenhorst

This matter relates to a civil claim (personal injury) against the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 11 000 000.00 (and R 800 000 for costs and disbursements). Matter set down for trial date of 03 March 2021 in Pretoria High (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers

13 129 151

13 129 151

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

(2) Mminele Compensation (Pty) Ltd

This matter relates to a civil claim by a service provider of the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 800 000 (and R 50 000 for costs and disbursements). Matter set down for trial on 15 March 2019 (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers. Plaintiff did not take any further steps in finalizing the matter.

800 000	850 000
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Other litigations and contingencies

(3) PM PLUS

Judgement granted against TLM in the amount of R7 000 000.00. Matter referred arbitration to determine amount of damages as a result of breach of contract. TLM applied for stay of arbitration proceedings pending outcome of action for rescission of the original Court order. Summons for rescission was served and filed. Defendant filed plea. Hearing for rescission ready for trial. Litigation ongoing. Awaiting trial date.

14 000 000	14 000 000
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2022	2021 Restated
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(4) TLOU INTEGRATED

Upgrading of sports facility - Thabapark, Upgrading Northam Road T46/2013. Summons was served on TLM. Matter is defended. Plea was served and filed. Litigation ongoing.

2 636 545	2 636 545
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(5) VUKA AFRICA

Summons was issued against TLM and Notice to defend was served and filed. Notice of bar was served on TLM whereafter TLM served and filed plea and counter claim for R522 533.52. Plaintiff served replication and plea to our counterclaim. Awaiting a pre-trial date.

7 924 409	7 924 409
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(6) IVYDALE BELEGGINGS BK

Rendered goods and services - (TLB and sand at Thabazimbi grave yard). Summons was issued against TLM and Notice to defend was served and filed. TLM served and filed plea. Account rectified and matter to be settled.

313 195	313 195
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(7) SISWEZONKE (PTY) LTD

Supply and transportation of jojo tanks and supply and installation of vee belts, pulleys, o-rings and seal kits. Summons was issued. TLM defended and Plaintiff applied for summary judgement. TLM opposed and leave to defend was granted. TLM served and filed plea. Litigation ongoing.

222 300	222 300
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(8) MASENG VILJOEN INC

Preparation and review of GRAP 17 compliant fixed asset register & expertise with regard to water & sanitation infrastructure. Summons was issued against TLM and Notice to defend was served and filed. TLM served and filed plea. Litigation ongoing.

3 481 288	3 481 288
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(9) TG RAMAGAGA

Application for the review of the council resolution dated 19 June 2021 to be declared unlawful, invalid and null and void. Review application was issued on 05 October 2021. Application was opposed and pleadings are in the process of being exchanged. Respondent to file opposing papers. Litigation ongoing.

(10) SOLOMON RANAMANE N.O. / PAUL RANAMANE

Summons was served on TLM. TLM served and filed Notice to defend. Application for summary judgement was served and TLM served and filed an opposing affidavit. TLM was granted leave to defend the matter. Plea was served and filed. Non-compliance of MFMA. Plaintiff failed to take any further steps in finalising this matter.

1 464 119	1 464 119
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(11) ADONIA MUSHWANA

Urgent application-notice of motion was served on TLM whereafter the urgent application was opposed and served by email and filed. Answering affidavit was served and filed. Matter was set down 24/02/2022 whereafter it was removed from the roll due to the urgency and that the matter was not seen as urgent. Applicant served a notice of Motion on TLM 05/06/2022. Matter is ongoing.

91 717

(12) DEMAWUSA OBO S MOGALE & 64 OTHERS

Case was referred to the CCMA on 15 December 2021. There is no indication that the matter was set down for conciliation. Demawusa delivered a request for arbitration 21/01/2022, but no proof that it was set down. Matter is ongoing.

155 333

(13) NGWENYAMA INFRASTRUCTURE(PTY)LTD

Summons was served upon TLM.

29 442

(14) OORDRAG VAN ROERENDE EIENDOM

Consultation were held 19/01/2022 and 19/02/2022 to discuss the possibility of registering a section 21 company. Matter is ongoing.

22 177

(15) SUMMIT PROPERTY 8976/2021

Summons was served upon TLM and also a notice in terms of Rule 41(A), the TLM served and filed a notice of intention to defend. A notice of bar was served upon the Defendant. The Defendant served and filed notice in terms of Rule 23(1) and Head of argument. The Defendant served and filed a notice of set down for exception for the 26th of April 2023. The matters is ongoing.

17 428

(16) SUMMIT PROPERTY 3501/2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Summons was served upon TLM and also a notice in terms of Rule 41(A). The TLM served and filed a notice of intention to defend. A notice of bar was served upon the Defendant. The Defendant served and filed notice in terms of Rule 23(1) and Head of argument. The Defendant served and filed a notice of set down for exception for the 3rd of May 2023. The matter is ongoing.

20 938

(17) ODIRILE INVESTMENT & CONSTRUCTION

Construction of new waste water treatment works at Northam.

5 937 334

18) POLOKWANE SURFACING

Summons was issued against TLM. Notice of intention to defend and plea was served and filed. Pretrial held. Ready for trial. Ongoing Litigation. Non Joinder of contractor.

2 910 728

Note 51 Inventory consumed

Inventory utilised for the period under review

41 804 090 45 240 479

Note 52 Bad debts

73 663 922 220

Note 53 Lease on rental on operating leases

Contractual amounts

2 278 986 2 736 309

Note 54 Contribution to provisions: Landfill site

14 430 294 (11 344 334)