



# LEPHALALE

---

# MUNICIPALITY

Lephalale Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2022

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

<b>Legal form of entity</b>	Municipality (MSA)
<b>Nature of business and principal activities</b>	Local Municipality
<b>The following is included in the scope of operation</b>	Constitution of the republic of South Africa act 108 of 1996 provision of water, electricity, Waste Management, waste water management and public works service to communities in a sustainable manner to promote social, economic development and a safe and healthy environment
<b>Mayoral committee</b>	
Mayor	Hon A Thulare
Councillors	Cllr GG Marakalala (speaker) Cllr SJ Machaba (Chief Whip) Cllr B Kgageng-Moloantoa (Chairperson of Women in Caucus Committee) Cllr LF Monare (Chairperson of Chairpersons) Cllr NH Pienaar (EXCO & Chairperson of Social Services Portfolio Committee) Cllr ML Shongwe (EXCO & Chairperson of Infrastructure portfolio Committee) Cllr MM Makgae (MPAC Chairperson) Cllr PKJ Selolo (Chairperson of Ethics Committee) Cllr WM Motlokwa (Chairperson of Radical Socio-economic Transformation) Cllr S Mpedi (Chairperson of Geographical name change Committee) Cllr MR Modiba (Exec Comm & Portfolio Chairperson:Governance,Admin and BTO) Cllr MM Semanya (EXCO Member & Chairperson of Planning and Economic development Services ) Cllr SM Nieuwoudt Cllr LK Mosupye Cllr MW Langa Cllr KC Bopape Cllr DA Mothoni Cllr MJ Madibana Cllr I Magoai Cllr RA Mokgethe Cllr RT Modise Cllr E Seepe Cllr SJ Moselane Cllr EL Setho Cllr MJ Sebetha Cllr RM Magoai Cllr DA Mongalo Cllr HW Venter Cllr TA Makopo Cllr MS Moloantoa Cllr LS Manamela Cllr P Molekwa Cllr MJ Marakalala Cllr AE Basson

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

	Cllr ME Maesela Cllr MJ Selokela Cllr MJ Maeko Cllr KR Molokomme Cllr NJ Motebele Cllr SL Seabi Cllr KM Mogohloana Cllr MF Mashita Cllr FM Mabasa Cllr MM Madibana Cllr KG Mpedzi Cllr MR Rangata
<b>Grading of local authority</b>	Grade 3
<b>Accounting Officer</b>	MM Cocquyt
<b>Chief Finance Officer (CFO)</b>	LM Matlwa
<b>Registered office</b>	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
<b>Business address</b>	Corner Joe Slovo and Dou Water Avenue Onverwacht Lephalale 0557
<b>Postal address</b>	Private Bag X136 Onverwacht Lephalale 0557
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Published</b>	30 November 2022
<b>Level of rounding off</b>	Nearest Rand
<b>Website</b>	<a href="http://www.lephalale.gov.za">www.lephalale.gov.za</a>
<b>Email</b>	<a href="mailto:munic@lephalale.gov.za">munic@lephalale.gov.za</a>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Index

---

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
	6
Accounting Officer's Report	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 16
Accounting Policies	17 - 49
Notes to the Annual Financial Statements	50 - 101

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Index

---

COID	Compensation for Occupational Injuries and Diseases
ASB	Accounting Standard Board
DBSA	Development Bank of Southern Africa
SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
CPI	Consumer Price Index
IAS	International Accounting Standards
WSIG	Water Services Infrastructure Grant
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
EXCO	Executive Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ABSA	Amalgamated Bank of Southern Africa
VAT	Value Added Tax
mSCOA	Municipal Standard Chart of Accounts
INEP	Intergrated National Electricification Programme
NGO	Non Governmental Organisation
SETA	Sector Education and Training Authority
PFMA	Public Finance Management Act
PPE	Property Plant and Equipment
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
SCM	Supply Chain Management
FMG	Financial Management Grant

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

---

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

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

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

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

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

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

The municipality is not wholly dependent on the Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 8-88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed by Accounting Officer:

---

**MM Cocquyt**

# **Lephalale Local Municipality**

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

---

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

---

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

### 1. Review of activities

#### Main business and operations

Net surplus of the municipality was R 31 492 489 (2021: surplus R 62 776 314),

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 1 331 315 526. The Municipality's assets is R 1 806 454 326 and total liabilities R442 836 825, meaning the municipality's total assets exceed its liabilities by R 1 331 315 526

The municipality is a going concern because of the following:

It is a state entity set up by the constitution of the Republic of South Africa to provide basic service to the community and is also funded by the state for that purpose. Failure to provide services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently comply with constitution.

There is no indication of a possibility of default by the government in paying grants under the Act. This is also corroborated by experience where National Treasury has met its obligation every year and has therefore created a constructive obligation. The council has adopted Intergrated Devepoment Plan which is a five year plan. Municipality has tabled a funded budget for the financial year 2022/23. The council has also adopted a five year plan. This is an indication the intention to operate beyond the next 12 months period. The gearing ratios are above the norms as per National Treasury MFMA circular 71.

### 3. Events after reporting period

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

### 4. Accounting policies

The financial statement are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP), and interpretations(IGRAP) issued by the Accounting Standards Board as per the prescribed framework by National Treasury.

### 5. Bankers

The Municipality has its primary bank account with ABSA Bank Limited

### 6. Auditors

Auditor General of South Africa.

---

**MM Cocquyt**

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	10	8 007 763	2 149 236
Sundry Receivables	8	59 740	186 170
VAT Receivable	11	21 725 349	11 848 009
Receivables from non-exchange transactions	14	60 789 202	48 100 606
Other receivables from Non-exchange transactions	12	11 400 814	1 660 902
Receivables from exchange transactions	13	99 064 437	97 704 323
Cash and cash equivalents	15	92 454 404	94 824 644
		<b>293 501 709</b>	<b>256 473 890</b>
<b>Non-Current Assets</b>			
Investment property	4	13 840 000	13 840 000
Property, plant and equipment	5	1 465 556 426	1 464 061 165
Intangible assets	6	1 375 326	1 464 854
Heritage assets	7	77 000	77 000
		<b>1 480 848 752</b>	<b>1 479 443 019</b>
<b>Total Assets</b>		<b>1 774 350 461</b>	<b>1 735 916 909</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	19	711 605	638 641
Finance lease obligation	17	8 173 000	7 378 549
Payables from exchange transactions	21	242 810 557	220 548 968
Consumer deposits	22	10 392 132	9 817 768
Provisions-Employee Benefits	9	3 362 000	2 875 000
Unspent conditional grants and receipts	18	2 671 577	16 296 746
		<b>268 120 871</b>	<b>257 555 672</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	19	-	725 665
Finance lease obligation	17	45 963 232	53 945 496
Provisions-Employee Benefits	9	85 337 000	72 229 000
Provisions for landfill	20	43 613 836	51 630 887
		<b>174 914 068</b>	<b>178 531 048</b>
<b>Total Liabilities</b>		<b>443 034 939</b>	<b>436 086 720</b>
<b>Net Assets</b>		<b>1 331 315 522</b>	<b>1 299 830 189</b>
Accumulated surplus		1 331 315 526	1 299 830 184

\* See Note 3 & 49

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	24	254 228 371	251 916 299
Rental of facilities and equipment	25	155 910	144 812
Interest earned on Outstanding Receivables -Service Charges		31 529 803	22 072 415
Agency Fees	27	10 372 972	9 195 084
Building Fees	28	1 086 865	644 816
Other Revenue	28	5 883 951	4 247 855
Interest Earned -External investment	29	4 193 329	4 550 786
<b>Total revenue from exchange transactions</b>		<b>307 451 201</b>	<b>292 772 067</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	30	95 852 154	91 234 459
Interest Earned on Outstanding Receivables-Property Rates	30	13 683 231	9 480 096
<b>Transfer revenue</b>			
Government grants & subsidies	32	301 125 832	302 171 823
Public contributions and donations	33	921 500	240
Fines, Penalties and Forfeits	26	513 969	1 038 267
<b>Total revenue from non-exchange transactions</b>		<b>412 096 686</b>	<b>403 924 885</b>
<b>Total revenue</b>	23	<b>719 547 887</b>	<b>696 696 952</b>
<b>Expenditure</b>			
Employee related costs	34	(206 470 544)	(212 324 460)
Remuneration of councillors	35	(12 077 627)	(10 912 368)
Depreciation, Impairment and amortisation	36	(86 854 684)	(84 478 471)
Finance costs	37	(28 468 904)	(26 047 842)
Debts Impairment	38	(60 048 463)	(16 508 748)
Bulk purchases	39	(124 063 033)	(135 312 134)
Contracted services	40	(45 247 353)	(43 739 050)
Transfers and Subsidies	31	(545 121)	(681 126)
Inventory Consumed	42	(44 344 507)	(44 640 774)
Operating Expenses	41	(60 629 766)	(51 695 391)
<b>Total expenditure</b>		<b>(668 750 002)</b>	<b>(626 340 364)</b>
<b>Operating surplus</b>	43	<b>50 797 885</b>	<b>70 356 588</b>
Actuarial gains/losses	9	(4 104 000)	244 000
Transfer of infrastructure assets	61	(15 201 396)	(7 478 004)
Loss on sale of non-current assets	5	-	(346 270)
		<b>(19 305 396)</b>	<b>(7 580 274)</b>
<b>Surplus for the year</b>		<b>31 492 489</b>	<b>62 776 314</b>

\* See Note 3 & 49

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 338 079 204	1 338 079 204
Adjustments		
Prior year adjustments (Refer to note 49)	(101 025 334)	(101 025 334)
<b>Balance at 01 July 2020 as restated*</b>	<b>1 237 053 870</b>	<b>1 237 053 870</b>
Changes in net assets		
Surplus for the year	62 776 314	62 776 314
Total changes	62 776 314	62 776 314
<b>Restated* Balance at 01 July 2021</b>	<b>1 299 823 037</b>	<b>1 299 823 037</b>
Changes in net assets		
Surplus for the year	31 492 489	31 492 489
Total changes	31 492 489	31 492 489
<b>Balance at 30 June 2022</b>	<b>1 331 315 526</b>	<b>1 331 315 526</b>

\* See Note 3 & 49

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		77 892 430	59 673 612
Sale of goods and services		251 784 826	237 863 749
Grants		283 081 091	275 156 687
Interest income		4 193 329	4 550 786
Other receipts		786 532	644 816
		617 738 208	577 889 650
<b>Payments</b>			
Employee costs		(218 792 011)	(223 236 823)
Suppliers		(269 647 924)	(206 460 252)
Finance costs		(6 854 255)	(8 570 866)
Other payments		(545 121)	(685 062)
		(495 839 311)	(438 953 003)
<b>Net cash flows from operating activities</b>	44	<b>121 898 897</b>	<b>138 936 647</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(115 521 977)	(121 307 320)
Proceeds from sale of property, plant and equipment	5	-	1 762 998
Purchase of other intangible assets	6	(715 910)	(1 157 628)
<b>Net cash flows from investing activities</b>		<b>(116 237 887)</b>	<b>(120 701 950)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(7 378 549)	(7 315 690)
Repayment of DBSA Loan		(652 701)	(610 577)
<b>Net cash flows from financing activities</b>		<b>(8 031 250)</b>	<b>(7 926 267)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2 370 240)</b>	<b>10 308 430</b>
Cash and cash equivalents at the beginning of the year		94 824 644	84 516 211
<b>Cash and cash equivalents at the end of the year</b>	15	<b>92 454 404</b>	<b>94 824 641</b>

\* See Note 3 & 49

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	330 664 000	-	<b>330 664 000</b>	254 228 371	<b>(76 435 629)</b>	A1
Rental of facilities and equipment	317 000	-	<b>317 000</b>	155 910	<b>(161 090)</b>	A2
Interest on outstanding Receivables-Service Charges	26 554 000	-	<b>26 554 000</b>	31 529 803	<b>4 975 803</b>	A3
Agency Fees	8 218 000	-	<b>8 218 000</b>	10 372 972	<b>2 154 972</b>	A4
Building Fees	685 653	-	<b>685 653</b>	1 086 865	<b>401 212</b>	A5
Other Income	3 090 000	-	<b>3 090 000</b>	5 883 951	<b>2 793 951</b>	A6
Interest Earned - External Investment	2 168 000	-	<b>2 168 000</b>	4 193 329	<b>2 025 329</b>	A7
<b>Total revenue from exchange transactions</b>	<b>371 696 653</b>	-	<b>371 696 653</b>	<b>307 451 201</b>	<b>(64 245 452)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	106 591 000	-	<b>106 591 000</b>	95 852 154	<b>(10 738 846)</b>	A8
Interest on Outstanding Receivables- Property Rates	8 067 603	-	<b>8 067 603</b>	13 683 231	<b>5 615 628</b>	A9
<b>Transfer revenue</b>						
Government grants & subsidies	250 130 000	70 800 000	<b>320 930 000</b>	301 125 832	<b>(19 804 168)</b>	A10
Public contributions and donations	-	-	-	921 500	<b>921 500</b>	A11
Fines, Penalties and Forfeits	686 000	-	<b>686 000</b>	513 969	<b>(172 031)</b>	A12
<b>Total revenue from non-exchange transactions</b>	<b>365 474 603</b>	<b>70 800 000</b>	<b>436 274 603</b>	<b>412 096 686</b>	<b>(24 177 917)</b>	
<b>Total revenue</b>	<b>737 171 256</b>	<b>70 800 000</b>	<b>807 971 256</b>	<b>719 547 887</b>	<b>(88 423 369)</b>	
<b>Expenditure</b>						
Employee related cost	(228 865 000)	3 158 000	<b>(225 707 000)</b>	(206 470 544)	<b>19 236 456</b>	A13
Remuneration of councillors	(11 687 000)	(503 000)	<b>(12 190 000)</b>	(12 077 627)	<b>112 373</b>	A14
Depreciation and amortisation	(92 705 000)	-	<b>(92 705 000)</b>	(86 854 684)	<b>5 850 316</b>	A15
Finance costs	(19 213 000)	3 081 000	<b>(16 132 000)</b>	(28 468 904)	<b>(12 336 904)</b>	A16
Debts Impairment	(13 583 000)	(3 000 000)	<b>(16 583 000)</b>	(60 048 463)	<b>(43 465 463)</b>	A17
Bulk purchases	(163 453 000)	14 950 000	<b>(148 503 000)</b>	(124 063 033)	<b>24 439 967</b>	A18
Contracted Services	(55 966 000)	(20 338 000)	<b>(76 304 000)</b>	(45 247 353)	<b>31 056 647</b>	A19
Transfers and Subsidies	(977 000)	-	<b>(977 000)</b>	(545 121)	<b>431 879</b>	A20
Sale of goods/Inventory	(8 350 000)	(5 530 000)	<b>(13 880 000)</b>	(44 344 507)	<b>(30 464 507)</b>	A21
General Expenses	(68 315 000)	8 182 000	<b>(60 133 000)</b>	(60 629 766)	<b>(496 766)</b>	A22
<b>Total expenditure</b>	<b>(663 114 000)</b>	-	<b>(663 114 000)</b>	<b>(668 750 002)</b>	<b>(5 636 002)</b>	
<b>Operating surplus</b>	<b>74 057 256</b>	<b>70 800 000</b>	<b>144 857 256</b>	<b>50 797 885</b>	<b>(94 059 371)</b>	
Actuarial gains/losses	-	-	-	(4 104 000)	<b>(4 104 000)</b>	
Inventories losses/write-downs	-	-	-	(15 201 396)	<b>(15 201 396)</b>	A23
	-	-	-	<b>(19 305 396)</b>	<b>(19 305 396)</b>	

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Surplus for the year</b>	<b>74 057 256</b>	<b>70 800 000</b>	<b>144 857 256</b>	<b>31 492 489</b>	<b>(113 364 767)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>74 057 256</b>	<b>70 800 000</b>	<b>144 857 256</b>	<b>31 492 489</b>	<b>(113 364 767)</b>	

Reconciliation

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	14 975 000	-	<b>14 975 000</b>	8 007 763	<b>(6 967 237)</b>	
Sundry Receivables	60 000	-	<b>60 000</b>	59 740	<b>(260)</b>	
VAT Receivables	(8 500 000)	-	<b>(8 500 000)</b>	21 725 349	<b>30 225 349</b>	
Receivables from non-exchange transactions	71 444 726	-	<b>71 444 726</b>	60 789 202	<b>(10 655 524)</b>	
Other Receivables from Non-Exchange Transactions	10 557 000	-	<b>10 557 000</b>	11 400 814	<b>843 814</b>	
Consumer debtors	120 462 274	-	<b>120 462 274</b>	99 064 437	<b>(21 397 837)</b>	
Cash and cash equivalents	128 745 000	-	<b>128 745 000</b>	92 454 404	<b>(36 290 596)</b>	
	<b>337 744 000</b>	-	<b>337 744 000</b>	<b>293 501 709</b>	<b>(44 242 291)</b>	
<b>Non-Current Assets</b>						
Investment property	-	-	-	13 840 000	<b>13 840 000</b>	
Property, plant and equipment	1 651 591 000	-	<b>1 651 591 000</b>	1 465 556 426	<b>(186 034 574)</b>	
Intangible assets	1 131 000	-	<b>1 131 000</b>	1 375 326	<b>244 326</b>	
Heritage assets	77 000	-	<b>77 000</b>	77 000	-	
	<b>1 652 799 000</b>	-	<b>1 652 799 000</b>	<b>1 480 848 752</b>	<b>(171 950 248)</b>	
<b>Total Assets</b>	<b>1 990 543 000</b>	-	<b>1 990 543 000</b>	<b>1 774 350 461</b>	<b>(216 192 539)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	725 000	-	<b>725 000</b>	711 605	<b>(13 395)</b>	
Finance lease obligation	6 609 000	-	<b>6 609 000</b>	8 173 000	<b>1 564 000</b>	
Payables from exchange transactions	33 640 000	202 150 000	<b>235 790 000</b>	242 810 557	<b>7 020 557</b>	
Consumer deposits	11 076 000	-	<b>11 076 000</b>	10 392 132	<b>(683 868)</b>	
Provisions-Employee Benefits	3 957 000	-	<b>3 957 000</b>	3 362 000	<b>(595 000)</b>	
Unspent conditional grants and receipts	2 500 000	-	<b>2 500 000</b>	2 671 577	<b>171 577</b>	
	<b>58 507 000</b>	<b>202 150 000</b>	<b>260 657 000</b>	<b>268 120 871</b>	<b>7 463 871</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	72 646 000	(25 500 000)	<b>47 146 000</b>	45 963 232	<b>(1 182 768)</b>	
Provisions-Employee Benefits	75 200 000	10 500 000	<b>85 700 000</b>	85 337 000	<b>(363 000)</b>	
Provisions for landfill	28 710 000	14 500 000	<b>43 210 000</b>	43 613 836	<b>403 836</b>	
	<b>176 556 000</b>	<b>(500 000)</b>	<b>176 056 000</b>	<b>174 914 068</b>	<b>(1 141 932)</b>	
<b>Total Liabilities</b>	<b>235 063 000</b>	<b>201 650 000</b>	<b>436 713 000</b>	<b>443 034 939</b>	<b>6 321 939</b>	
<b>Net Assets</b>	<b>1 755 480 000</b>	<b>(201 650 000)</b>	<b>1 553 830 000</b>	<b>1 331 315 522</b>	<b>(222 514 478)</b>	

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 755 480 000	(201 650 000)	<b>1 553 830 000</b>	1 331 315 522	<b>(222 514 478)</b>	

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property Rates	90 602 387	-	<b>90 602 387</b>	77 892 430	<b>(12 709 957)</b>	
Sale of goods and services	299 968 761	-	<b>299 968 761</b>	251 784 826	<b>(48 183 935)</b>	
Grants	250 129 991	-	<b>250 129 991</b>	283 081 091	<b>32 951 100</b>	
Interest income	2 168 458	-	<b>2 168 458</b>	4 505 325	<b>2 336 867</b>	
Other receipts	-	-	-	786 532	<b>786 532</b>	
	<b>642 869 597</b>	-	<b>642 869 597</b>	<b>618 050 204</b>	<b>(24 819 393)</b>	

##### Payments

Employee costs	(240 549 563)	-	<b>(240 549 563)</b>	(218 792 011)	<b>21 757 552</b>	
Suppliers	(296 084 532)	-	<b>(296 084 532)</b>	(268 853 291)	<b>27 231 241</b>	
Finance costs	(19 213 694)	-	<b>(19 213 694)</b>	(6 854 255)	<b>12 359 439</b>	
Other payments	(977 180)	-	<b>(977 180)</b>	(545 121)	<b>432 059</b>	
	<b>(556 824 969)</b>	-	<b>(556 824 969)</b>	<b>(495 044 678)</b>	<b>61 780 291</b>	

<b>Net cash flows from operating activities</b>	<b>86 044 628</b>	-	<b>86 044 628</b>	<b>123 005 526</b>	<b>36 960 898</b>	
---	-------------------	---	-------------------	--------------------	-------------------	--

#### Cash flows from investing activities

Purchase of property, plant and equipment	(70 213 300)	-	<b>(70 213 300)</b>	(116 969 311)	<b>(46 756 011)</b>	
Purchase of other intangible assets	-	-	-	(715 910)	<b>(715 910)</b>	
<b>Net cash flows from investing activities</b>	<b>(70 213 300)</b>	-	<b>(70 213 300)</b>	<b>(117 685 221)</b>	<b>(47 471 921)</b>	

#### Cash flows from financing activities

Repayment of Finance Lease	-	-	-	(7 378 549)	<b>(7 378 549)</b>	
Repayment of other financial liabilities	-	-	-	(652 701)	<b>(652 701)</b>	
<b>Net cash flows from financing activities</b>	-	-	-	<b>(652 701)</b>	<b>(652 701)</b>	

Net increase/(decrease) in cash and cash equivalents	15 831 328	-	<b>15 831 328</b>	4 667 604	<b>(11 163 724)</b>	
--	------------	---	-------------------	-----------	---------------------	--

Cash and cash equivalents at the beginning of the year	98 952 000	-	<b>98 952 000</b>	94 824 644	<b>(4 127 356)</b>	
--	------------	---	-------------------	------------	--------------------	--

<b>Cash and cash equivalents at the end of the year</b>	<b>114 783 328</b>	-	<b>114 783 328</b>	<b>99 492 248</b>	<b>(15 291 080)</b>	
---	--------------------	---	--------------------	-------------------	---------------------	--

### Reconciliation

Please refer to note 58 for explanation of material budget variances

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
-----------------	---------	------	------

### 1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in decision making and evaluation.

When the final accounts have been closed, any transactions that occur in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

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

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

#### Trade receivables

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

The calculation of impairment of trade receivables is based on debtors over 90 days. If individual debtors has a debt outstanding for over 90 day the debtor is considered to be impaired and the impairment is determined according to Credit Control and Debt Collection Policy of the council

#### Fair Value Estimation

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values

#### Impairment testing

The recoverable amounts of individual assets have been determined on the higher of value in use calculation and fair values less cost to sell

#### Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets

#### Useful lives of infrastructure asset and other assets

The Municipality determined the estimated useful lives and related depreciation charges for the useful lives of infrastructure and other assets. This estimate is based on industry norms or technical advice. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits and long service awards

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

Other key assumptions for post retirement and long service awards obligations are based on current market conditions. Additional information is disclosed in the relevant note annual financial statements.

#### Change in Estimate

Change in estimates are prospectively accounted for and disclosure note is made in the annual financial statement

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by economic factors such as exchange rates and inflation interest together with entity specific factors such as production and the demand for certain services.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discounting rate is a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. If the entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to Financial Statements

#### Effective interest rate

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

#### Allowance for impairment

On debtors, impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the differences between the debtors carrying amount and the present value of the estimated future cash flows.

#### Useful lives of waste and water network and other assets

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for Post retirement benefits obligations are based on current market conditions. Additional information is disclosed in Note 9.

#### Allowance for doubtful debts

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

#### Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are included in the note to the financial statement

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land are included in the note to financial statement

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are disclosed in the note to the financial statement

#### Impairment of statutory receivables

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

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

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

### 1.5 Investment property

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.5 Investment property (continued)

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

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

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

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

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Investment property is carried at fair less accumulated depreciation and any accumulated impairment losses except for land which is considered to have indefinite useful life

Item	Useful life
Property -Land	Indefinite

### 1.6 Property, plant and equipment

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

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

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

#### Initial Measurement

Property, plant and equipment is initially measured at cost.

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

#### Subsequent measurement.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance the asset will be valued using the revaluation model.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land which is subsequently measured at cost and is not depreciated as it is deemed to have indefinite useful life

### Depreciation

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

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

---

Item	Depreciation method	Average useful life in Years
Land	Straight-line	indefinite
Buildings	Straight-line	25-30
• Mobile Homes		5-10
• Caravans		5-10
• Residence		25-30
Smart Meters	Straight-line	20-25
Plant and Equipments	Straight-line	
• Specialised		10-15
Furniture and fixtures	Straight-line	5-8
Motor vehicles	Straight-line	5-8
Office equipment	Straight-line	3-5
Computer software	Straight-line	5-8
Other buildings	Straight-line	
• Library		25-30

---

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.6 Property, plant and equipment (continued)

Community	Straight-line	
• Buildings		25-30
• Recreational Facilities		25-30
• Halls		25-30
Other property, plant and equipment	Straight-line	10-15
Park Facilities	Straight-line	25-30
Vehicles	Straight-line	
• Specialised		10-15
Roads	Straight-line	
• Kerb and Channels		40-50
• Municipal Roads-Asphalt		10-20
• Gravel surface		3-10
Bins and containers	Straight-line	5-8
Library Books	Straight-line	5-15
Landfill site	Straight-line	
• Building		30-50
• Weighbridge		15-40
• Site		10-25
Wastewater network	Straight-line	
• Pump station		30-55
Water network	Straight-line	
• Pump station		30-50
• Reservoirs		30-50
• Supply/Reticulation		20-50
Electricity	Straight-line	
• Lines- Underground		25-45
• Lines- Overhead		20-30
• Substations- Switchgear		20-30
Pedestrian Footpaths	Straight-line	
• Footpaths		15-30
• Street Lightings		25-40
• Traffic Lights		15-20

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

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

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

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

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

### Derecognition

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.6 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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

#### Work in Progress

Work in progress refers to all property plant and equipment that are still under construction and are not in a position to be used by management in the process of rendering services.

#### Subsequent measurement.

Work in progress is not being depreciated as it is not in a position to be used by management in the rendering of services. Work in progress that are taking significant period to be completed and halted projects are assessment for impairment annually and carried at cost less impairment losses

#### Transfer out of work in progress and derecognition

Completed projects are transferred from work in progress into property plant and equipment. Projects that are constructed on behalf of third parties are expensed in the statement of financial performance as transfer of infrastructure assets.

### 1.7 Landfill Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.7 Landfill Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.8 Intangible assets

An asset is identifiable if it either:

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

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

#### Initial Recognition and Measurement.

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

#### Subsequent Measurement

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.8 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

---

Item	Depreciation method	Average useful life
Computer software and other	Straight-line	5-8

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

### 1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's 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 future cash flows expected to be derived from an asset or cash-generating unit.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.9 Heritage assets (continued)

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

### 1.10 Financial instruments

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

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

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.10 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unutilised capital;

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.10 Financial instruments (continued)

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.10 Financial instruments (continued)

#### Classification

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

Class	Category
Cash and Cash Equivalents	Financial asset measured at amortised cost
Trade and other receivables from Exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
DBSA loan	Financial liability measured at amortised cost
Finance Lease	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost
Vat Payable	Financial liability measured at fair value

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

The entity measures a financial asset and financial liability initially at its fair value (If subsequently measured at fair value).

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

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

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

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

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

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

#### Fair value measurement considerations

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.10 Financial instruments (continued)

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

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

#### Gains and losses

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

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

#### Impairment and uncollectible of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.10 Financial instruments (continued)

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

-derecognise the asset; and

-recognise separately any rights and obligations created or retained in the transfer

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

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

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

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

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

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

### Financial liabilities

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

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

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

### Presentation

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.10 Financial instruments (continued)

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

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

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

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

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

### 1.11 Statutory receivables

#### Identification

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

- Receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Impairment losses

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.11 Statutory receivables (continued)

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

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

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

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

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

### Derecognition

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

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

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

### 1.12 Value Added Tax

#### VAT

The Municipality is registered under category C of VAT and therefore processes VAT returns on Monthly basis. The returns are processed on cash basis in terms of section 15 of the VAT act (Act 89 of 1991). VAT was accounted on accrual basis in the annual financial statement as required by GRAP

### 1.13 Leases

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

#### Operating leases - lessee

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

### 1.14 Inventories

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

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

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

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

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

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

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

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.14 Inventories (continued)

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

### 1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

### Reversal of an impairment loss

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

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

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

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.16 Employee benefits

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

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

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

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

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

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

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

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

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.16 Employee benefits (continued)

#### Post-employment benefits

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

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

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

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

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

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

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

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.16 Employee benefits (continued)

#### Termination benefits

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

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

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

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

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

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

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

### 1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus .

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

The amount of commitments disclosed in the financial statement exclude VAT.

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.19 Revenue from exchange transactions

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

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.19 Revenue from exchange transactions (continued)

#### Measurement

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

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest

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

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

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

### 1.20 Revenue from non-exchange transactions

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

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

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

### Recognition

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### Measurement

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

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

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

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

#### Transfers

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

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

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

#### Fines

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

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

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

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

#### Subsequent Measurement

Receivables from traffic fines are subsequently measured at carrying value less impairment which is determined at the end of each reporting period. The impairment is measured as the difference between the carrying value and the present value of the estimated future cash flow.

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### Services in-kind

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

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

### 1.21 Investment income

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

### 1.22 Borrowing costs

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

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

### 1.23 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.23 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

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

### 1.24 Comparative figures

#### Reclassification of comparatives

Where necessary, comparative figures have been reclassified to conform changes in the current year. When the presentation or classification of items in AFS are amended, the nature and reason for such reclassification and restatement are also disclosed. The presentation and classification of items in the current year is consistent with prior period.

#### Prior Period Comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless the standards of GRAP does not require the restatement of comparative information. The nature and reason for reclassification are disclosed.

Where material accounting errors, which relates to prior period have been identified in the current year, the correction is made retrospectively as far as practicable, and prior year comparatives are restated accordingly.

Municipality will make a disclosure where retrospective application is not possible

### 1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.26 Fruitless and wasteful expenditure

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.26 Fruitless and wasteful expenditure (continued)

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

### 1.27 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

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

### 1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30. All Variances of above 10% between the budgeted and the actual figures are explained in the financial statement as they are considered to be significant

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.28 Budget information (continued)

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

Comparative information is not required.

### 1.29 Related parties

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

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

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

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

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

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

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

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

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

### 1.30 Events after reporting date

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

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

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

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

### 1.31 Consumer Deposit

Consumer Deposit pertains to the cash received from consumers when they open the service account and for builders deposits.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.31 Consumer Deposit (continued)

#### Initial Measurement and Recognition

The deposit is recognised when the consumer account is opened and payment is made to the Municipality as a deposit in terms of the approved tariffs of the council. Builders deposit is recognised when on the receipt of money from owners of the properties (ERFs) for construction or development. Deposits are recognised as liability in the financial statements

#### Subsequent Measurement

The deposits can be increased on the account when the consumer applies for an additional service and the amount will be recognised as liability. The deposit received is recorded in the account for consumer deposits and it is kept at the original amount received

#### Derecognition Criteria

The deposits gets appropriated to the consumer account when the service account is finally terminated. The builders deposit is refundable when the construction is completed without contravention of any relevant legislation.

# Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any new standards and interpretations that are effective for the current financial year and that are relevant to its operations.

### 2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations:

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

The municipality has not applied the standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

### 2.4 Standards and interpretations not yet effective or relevant

There are no interpretations that have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

## 3. Changes in accounting policy

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly .

No significant amendments were made to accounting policies in the current year and therefore accounting policies disclosed are consistent with prior years.

## 4. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	13 840 000	-	13 840 000	13 840 000	-	13 840 000

### Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	13 840 000	13 840 000

### Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	13 840 000	13 840 000

Investment property

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.

### Details of valuation

The valuation of land was performed by Manna holdings Pty (Ltd) company in June 2020. Manna holding are appointed as independent value registered as professional valuer. The valuation was conducted by Venter PH registration number 7428. Revaluation of investment property is performed on a 3 year cycle to ensure that the carrying value does not significantly differ with the fair value at the reporting date.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 4. Investment property (continued)

The valuation for the land was based on adapted comparable sales and for the improvements there-on on replacement costs.

These assumptions are based on current market conditions.

No investment property has been pledged as security for debt.

No expenditure was incurred to repair and maintain investment property.

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

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

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

## Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 5. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	60 227 751	-	60 227 751	58 002 056	-	58 002 056
Buildings	24 107 432	(16 233 034)	7 874 398	23 862 432	(15 508 685)	8 353 747
Infrastructure	1 907 749 405	(901 427 676)	1 006 321 729	1 816 227 365	(829 190 022)	987 037 343
Community	123 999 492	(33 418 938)	90 580 554	132 406 803	(28 869 012)	103 537 791
Other property, plant and equipment	106 693 733	(64 992 904)	41 700 829	94 242 367	(59 917 774)	34 324 593
Work in Progress	236 714 634	-	236 714 634	249 370 871	-	249 370 871
Smart Meters	32 455 809	(10 319 278)	22 136 531	32 455 808	(9 021 044)	23 434 764
<b>Total</b>	<b>2 491 948 256</b>	<b>(1 026 391 830)</b>	<b>1 465 556 426</b>	<b>2 406 567 702</b>	<b>(942 506 537)</b>	<b>1 464 061 165</b>

## Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 5. Property, plant and equipment (continued)

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

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	58 002 056	-	2 225 695	-	-	-	-	60 227 751
Buildings	8 353 747	245 000	-	-	-	(720 826)	(3 523)	7 874 398
Infrastructure	987 037 343	982 386	90 510 222	-	-	(68 840 196)	(3 368 026)	1 006 321 729
Community	103 537 791	-	4 165 393	-	(12 572 704)	(4 502 221)	(47 705)	90 580 554
Other property, plant and equipment	34 324 593	12 448 660	-	-	-	(4 864 565)	(207 859)	41 700 829
Work in Progress	249 370 871	101 845 931	-	(112 046 576)	-	-	(2 455 592)	236 714 634
Smart Meters	23 434 764	-	-	-	-	(1 298 233)	-	22 136 531
	<b>1 464 061 165</b>	<b>115 521 977</b>	<b>96 901 310</b>	<b>(112 046 576)</b>	<b>(12 572 704)</b>	<b>(80 226 041)</b>	<b>(6 082 705)</b>	<b>1 465 556 426</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	58 002 056	-	-	-	-	-	-	-	58 002 056
Buildings	9 381 365	-	-	-	-	-	(747 754)	(279 864)	8 353 747
Infrastructure	1 032 112 928	2 421 427	-	24 933 142	-	-	(68 635 813)	(3 794 341)	987 037 343
Community	95 644 909	-	-	-	-	12 078 412	(4 132 849)	(52 681)	103 537 791
Other property, plant and equipment	26 953 997	13 996 699	(1 762 998)	-	-	-	(4 769 574)	(93 531)	34 324 593
Work in Progress	176 892 823	104 889 194	-	-	(32 411 146)	-	-	-	249 370 871
Smart Meters	24 732 996	-	-	-	-	-	(1 298 232)	-	23 434 764
	<b>1 423 721 074</b>	<b>121 307 320</b>	<b>(1 762 998)</b>	<b>24 933 142</b>	<b>(32 411 146)</b>	<b>12 078 412</b>	<b>(79 584 222)</b>	<b>(4 220 417)</b>	<b>1 464 061 165</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

Other Property Plant and Equipments-2022	Opening Balance	Additions	Depreciation	Impairments	Disposal	Closing Balance
Furniture and Fittings	1 004 708	282 904	(415 660)	(3 092)	-	845 072
Office Equipment	2 210 699	140 000	(547 521)	(4 380)	-	1 793 120
Computer Equipment	3 513 617	528 400	(698 517)	(15 059)	-	3 306 760
Plant and Equipment	2 910 015	48 000	(442 912)	(94 936)	-	2 412 237
Motor Vehicles	23 145 626	9 142 318	(2 760 227)	(90 392)	-	29 578 716
Library Books	113 900	-	(15 721)	-	-	98 179
Bins and Containers	1 355 575	1 071 900	(258 389)	-	-	2 169 087
Subtotal	34 254 140	11 213 522	(5 138 947)	(207 859)	-	40 203 171
	<b>34 254 140</b>	<b>11 213 522</b>	<b>(5 138 947)</b>	<b>(207 859)</b>	<b>-</b>	<b>40 203 171</b>

Other Property Plant and Equipment	Opening	Additions	Depreciation	Impairments	Disposals	Closing Balance
Furniture and Fittings	1 426 134	40 400	(431 255)	(19 060)	(11 511)	1 004 708
Office Equipments	1 488 940	1 187 556	(435 353)	(29 791)	(653)	2 210 699
Computer Equipment	4 138 697	155 600	(699 684)	(6 024)	(74 922)	3 513 617
Plant and Equipment	1 419 353	1 793 800	(292 891)	(6 814)	(3 433)	2 910 015
Motor Vehicles	16 516 250	10 819 342	(2 650 836)	(11 842)	(1 527 288)	23 145 626
Library Books	208 825	-	(94 491)	(434)	-	113 900
Bins and Containers	1 693 640	-	(192 924)	-	(145 141)	1 355 575
Subtotal	26 891 839	13 996 698	(4 797 434)	(73 965)	(1 762 948)	34 254 140
	<b>26 891 839</b>	<b>13 996 698</b>	<b>(4 797 434)</b>	<b>(73 965)</b>	<b>(1 762 948)</b>	<b>34 254 140</b>

The balance of property, plant and equipment includes assets with the carrying value of R2 320 698 that could not be physically verified as at 31 August 2022. Municipality has appointed from its panel of investigators, the service provider to conduct the investigation on assets that could not be verified. The investigation will start in January 2023 and the planned completion date is before 31 March 2023.

No property plant and equipment was pledged as a security for loan and all assets are not restricted for use in the process of rendering services.

A register of property plant and equipments required in terms of section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 5. Property, plant and equipment (continued)

#### Work In Progress

The following projects (included in the Work In Progress) are taking a significant longer period to complete

Construction of Strong Room The Project entails the building works for the string Room. The consulting firm did not have capacity to proceed with the project after the passing of the director. The project has now been capacitated and construction is on progress.	4 013 801	3 478 729
Construction of Thabo Mbeki Sewer Network The project entails the construction of the pumpstation ,ponds and inatallation of sewer pipeline .The contractor encountered delays in delivery of long lead items which resulted into a delay on completion of the Project .Enough budget was allocated in 2022/23 financial year to complete the project.	37 273 243	31 312 814
Witpoort Seleka RWS Phase 4 The project entails source development, installation of water reticulation and storage The contractor has completed the work and currently waiting for Eskom to electrify the boreholes.	6 203 647	5 262 941
Mokoruanyane Shongoane RWS Phase 5 The project entails source development,installation of water reticulation and storate.The project is on practical completion stage .	15 735 665	15 735 665
Construction of Two Transfer Stations The project entails construction of internal roads ,buliding of office block,ablution facilities and security.The project is on litigation as a result of the consultant demading the variations which were not approved by the municipality.The municipilty has since won the case and is now allowed to appoint the consultant to commence with the works subject funds availability.	8 736 059	8 736 059
Mmaletswai water network system refurbishment The Project entails source development ,installation of water reticulation and storage.The contractor has completed the works and is currently waiting for Eskom to electrify the boreholes.	10 819 088	10 819 088
Witpoort and Seleka RWS Phase 5 The Project entails source development ,installation of water reticulation and storage.The Municipality is in the process of resuscitating the Project .The budget is allocated in 2022/23 financial year to complete the project	8 894 790	8 894 790
Zongesien Sewer Plant -Marapong The project entails refurbishment of sewer Plant . The municipality was in the process of sourcing additional funding to complete the project in 2021/22.The funds are now available in the 2022/23 financial year.	6 438 077	6 438 077
	-	-

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	231 274 468	19 125 997	250 400 465
Additions/capital expenditure	99 916 342	3 376 923	103 293 265
Impairment	(2 348 708)	(106 884)	(2 455 592)
Transferred to completed items	(105 655 487)	(7 838 423)	(113 493 910)
	<b>223 186 615</b>	<b>14 557 613</b>	<b>237 744 228</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 5. Property, plant and equipment (continued)

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

	Included within Infrastructure	Included within Community	Total
Opening balance	169 794 094	8 202 214	177 996 308
Additions/capital expenditure	93 891 520	10 923 783	104 815 303
Transferred to completed items	(32 411 146)	-	(32 411 146)
	<b>231 274 468</b>	<b>19 125 997</b>	<b>250 400 465</b>

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

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

Community Assets	-	537 278
Furniture and Fittings	-	152 690
Infrastructure	12 622 509	10 087 405
Motor Vehicles	1 936 915	4 140 758
Plant and equipment	-	54 759
Buildings	136 502	-
	<b>14 695 926</b>	<b>14 972 890</b>

#### Land derecognition and Recognition

Municipality lost control on some of the pieces of land that are registered on its name. The loss of control was as a result of agreement with department of Human Settlement to build RDP houses on the land belonging to the Municipality for the benefits of the residents of the Municipality. The value of the land derecognised is R6 864 531. The loss of control happened before the beginning of 2020 Financial year.

Municipality recognised piece of land to the value of R550 000 which is not registered in its name. The land was received as a donation and was used for the construction of Marapong Cemetery. The process of registering the land in the name of the Municipality is underway.

## Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 6. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 140 276	(2 764 950)	1 375 326	3 424 366	(1 959 512)	1 464 854

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand

---

### 6. Intangible assets (continued)

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 464 854	715 910	(805 438)	1 375 326

---

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	978 289	1 157 628	(671 063)	1 464 854

---

No intangible asset was pledged as security for debt

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	77 000	-	77 000	77 000	-	77 000

### 8. Sundry Receivables

Eskom Deposits	59 740	59 740
Rental Receivables	-	51 968
Prepayments to Suppliers Terms and conditions	-	74 460
	<b>59 740</b>	<b>186 168</b>
<b>Current assets</b>		
Sundry Receivables	59 740	186 170

### 9. Employee benefit obligations

#### Defined benefit plan

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(88 699 000)	(75 104 000)
Non-current liabilities	(85 337 000)	(72 229 000)
Current liabilities	(3 362 000)	(2 875 000)
	<b>(88 699 000)</b>	<b>(75 104 000)</b>

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

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

### Retirement benefits Information

Liability as at 01 July 2021	12 859 000	11 331 000
Benefits paid	(1 010 000)	(1 419 000)
Current Services cost	1 167 000	1 018 000
Interest	1 361 000	1 397 000
Actuarial (Gain)/losses recognised in statement of financial performance	(687 000)	532 000
	<b>13 690 000</b>	<b>12 859 000</b>
Opening balance	62 245 000	55 314 000
Interest	6 735 000	6 820 000
Current Service Cost	3 309 000	2 673 000
Benefits paid	(2 071 000)	(1 734 000)
Actuarial (Gain)/losses recognised in statement of financial performance	4 791 000	(828 000)
	<b>75 009 000</b>	<b>62 245 000</b>

### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	4 104 000	(244 000)
---------------------------------------	-----------	-----------

### Long service awards

Under the plan, a long service award is payable to employees at 10 years of continuous service, thereafter for every 5 year of continuous service from 10 years up to 45 years of service. The calculation is an estimate based on actuarial assumptions and on historical staff turnover. The actuarial valuation was carried out by ZAQ Consultants and Actuaries. The actuary responsible was Julian Werner Van Der Spuy, a fellow of the Actuarial Society of South Africa. The projected unit credit funding method was used to determine the past-service liabilities at valuation date and the projected annual expense in the year following the valuation date. Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand	2022	2021
-----------------	------	------

---

### 9. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate used - Yield curve]

Net effective discount rate - Yield curve based

CPI - Difference between the nominal and real yield curve

Normal salary increase rate - CPI +1%

Average retirement age - 65

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death. Non - medical - Employees retiring will receive R1 517.00 a month as contribution to their health

Principal actuarial assumptions of valuation model used

Discount rate

Health Care cost inflation rate

2022

2021

Yield Curve

Yield Curve

CPI + 1.5%

CPI + 1.5%

### 10. Inventories

Consumable stores	517 206	405 123
Maintenance materials and Spare Parts	7 399 707	1 698 590
Water for distribution	90 850	45 523
	<b>8 007 763</b>	<b>2 149 236</b>

---

No Inventory was pledged as a security loan

There was no reversal of inventory written down in the 2022 financial year

### 11. VAT Receivables

VAT	21 725 349	11 848 009
Current assets	21 725 349	11 848 009

---

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>12. Other Receivables from Non-Exchange Transactions</b>		
Traffic fines	1 828 886	1 660 902
DWS grant receivables	9 563 678	-
	<b>11 392 564</b>	<b>1 660 902</b>
Municipality was funded under schedule 6B of the DoRA. Under this section funds are only transferred to Municipality after the conditions of the grant were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into Other Receivables from non-Exchange transactions to avoid offsetting against other unspent conditional grants receipts.		
Traffic Fines -Gross Balance	4 933 410	4 587 966
Less: Impairment-Traffic Fines	(3 104 524)	(2 927 064)
Additional text		
	<b>1 828 886</b>	<b>1 660 902</b>
<b>Ageing Analysis-Traffic Fines</b>		
0-30 Days	55 500	20 550
31-60 Days	70 200	95 400
61-90 Days	86 500	85 050
91-120 Days	16 450	72 700
121-365 Days	138 750	649 800
>365 Days	4 566 010	3 664 465
	<b>4 933 410</b>	<b>4 587 965</b>
Total Other Receivables from non-Exchange transactions	11 400 814	1 660 902
<b>Statutory receivables general information</b>		
<b>13. Receivables from Exchange transactions</b>		
<b>Gross balances</b>		
Electricity	80 010 811	69 393 003
Water	121 625 134	102 696 568
Waste water	60 211 969	51 247 720
Refuse	67 656 388	56 056 673
	<b>329 504 302</b>	<b>279 393 964</b>
<b>Less: Allowance for impairment</b>		
Electricity	(33 253 646)	(28 666 975)
Water	(96 403 896)	(70 920 609)
Waste water	(41 114 622)	(34 118 648)
Refuse	(59 667 701)	(47 983 409)
	<b>(230 439 865)</b>	<b>(181 689 641)</b>
<b>Net balance</b>		
Electricity	46 757 165	40 726 028
Water	25 221 238	31 775 959
Waste water	19 097 347	17 129 072
Refuse	7 988 687	8 073 264
	<b>99 064 437</b>	<b>97 704 323</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>13. Receivables from Exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	13 979 584	10 544 270
31 - 60 days	11 638 340	6 877 887
61 - 90 days	1 597 471	2 954 886
91 - 120 days	1 450 867	2 512 462
121 - 150 days	1 491 458	2 105 300
> 151 days	49 497 918	44 398 198
Impairment	(33 253 646)	(28 666 975)
<b>Undefined Difference</b>	<b>355 173</b>	<b>-</b>
	<b>46 757 165</b>	<b>40 726 028</b>
<b>Water</b>		
Current (0 -30 days)	5 677 115	12 042 465
31 - 60 days	7 636 497	3 632 090
61 - 90 days	2 900 320	3 674 204
91 - 120 days	2 651 751	2 674 481
121 - 150 days	2 654 791	2 453 784
> 151 days	100 044 660	78 219 544
Impairment	(96 343 896)	(70 920 609)
	<b>25 221 238</b>	<b>31 775 959</b>
<b>Waste water</b>		
Current (0 -30 days)	2 348 080	3 468 536
31 - 60 days	3 222 828	2 524 410
61 - 90 days	1 172 258	1 935 990
91 - 120 days	1 109 911	1 781 716
121 - 150 days	1 060 494	1 544 390
> 151 days	51 298 898	39 992 678
Impairment	(41 115 122)	(34 118 648)
	<b>19 097 347</b>	<b>17 129 072</b>
<b>Refuse</b>		
Current (0 -30 days)	2 305 135	2 175 233
31 - 60 days	2 724 763	1 498 004
61 - 90 days	1 207 435	1 215 649
91 - 120 days	1 169 724	1 135 521
121 - 365 days	1 133 326	1 033 675
> 365 days	59 116 005	48 998 591
Impairment	(59 667 701)	(47 983 409)
	<b>7 988 687</b>	<b>8 073 264</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>13. Receivables from Exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	19 833 518	16 840 346
31 - 60 days	11 998 434	10 187 692
61 - 90 days	9 409 789	7 989 712
91 - 120 days	5 922 003	5 028 284
121 - 150 days	11 112 542	9 435 495
> 151days	244 233 667	207 375 184
	<b>302 509 953</b>	<b>256 856 713</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	3 107 466	2 638 503
31 - 60 days	2 141 903	1 818 658
61 - 90 days	1 245 582	1 057 605
91 - 120 days	816 208	693 030
121 - 150 days	1 383 150	1 174 412
> 151 days	14 131 545	11 998 885
	<b>22 825 854</b>	<b>19 381 093</b>
<b>National and provincial government</b>		
Current (0 -30 days)	948 507	819 738
31 - 60 days	292 589	252 867
61 - 90 days	134 130	115 920
91 - 120 days	139 273	120 365
121 - 150days	226 632	195 865
> 151 days	1 592 269	1 376 103
	<b>3 333 400</b>	<b>2 880 858</b>
<b>Total</b>		
Current (0 -30 days)	24 309 914	48 187 220
31 - 60 days	25 222 429	22 389 939
61 - 90 days	6 877 484	16 041 186
91 - 120 days	6 382 253	20 894 097
121 - 150 days	6 340 070	5 960 593
> 151 days	259 957 481	165 920 929
	329 089 631	279 393 964
Less: Allowance for impairment	(230 380 367)	(181 689 641)
<b>Undefined Difference</b>	<b>355 173</b>	<b>-</b>
	<b>99 064 437</b>	<b>97 704 323</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(181 689 641)	(172 952 098)
Contributions to allowance	(48 750 224)	(8 737 543)
	<b>(230 439 865)</b>	<b>(181 689 641)</b>
<b>14. Receivables from Non-Exchange transactions</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	152 717 616	122 549 062

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>14. Receivables from Non-Exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(91 928 414)	(74 448 456)
<b>Net balance</b>		
Consumer debtors - Rates	60 789 202	48 100 606
<b>Rates</b>		
Current (0 -30 days)	11 021 697	11 189 584
31 - 60 days	12 367 708	7 751 770
61 - 90 days	4 609 206	6 333 464
91 - 120 days	4 358 488	4 713 065
121 - 150 days	4 233 756	4 575 890
> 151 days	116 126 761	87 985 289
Debt Impairment	(91 928 414)	(74 448 456)
	<b>60 789 202</b>	<b>48 100 606</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	6 071 088	4 871 777
31 - 60 days	3 047 838	2 445 754
61 - 90 days	2 510 739	2 014 756
91 - 120 days	1 853 270	1 487 166
121 - 150 days	3 359 299	2 695 687
> 151 days	58 366 586	46 836 576
	<b>75 208 820</b>	<b>60 351 716</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	4 767 603	3 825 788
31 - 60 days	3 728 385	2 991 862
61 - 90 days	2 762 977	2 217 165
91 - 120 days	2 600 030	2 086 407
121 - 150 days	4 951 947	3 973 716
> 151 days	54 633 756	43 981 147
	<b>73 444 698</b>	<b>59 076 085</b>
<b>National and provincial government</b>		
Current (0 -30 days)	183 005	140 551
31 - 60 days	159 474	122 479
61 - 90 days	158 294	121 572
91 - 120 days	155 906	119 738
121 - 150 days	280 958	215 780
> 151 days	3 126 419	2 401 140
	<b>4 064 056</b>	<b>3 121 260</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(74 448 456)	(66 001 369)
Contributions to allowance	(17 479 959)	(8 447 087)
	<b>(91 928 415)</b>	<b>(74 448 456)</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	16 422	17 933
Bank balances	73 104 429	75 884 311
Short-term deposits	19 333 553	18 922 400
	<b>92 454 404</b>	<b>94 824 644</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA Bank -Current account 1470 000 038	73 924 739	78 002 720	25 619 494	73 104 429	75 899 251	36 857 889
ABSA Bank -Call Account 4072894439	13 005 762	12 174 990	41 177 832	13 005 762	12 174 990	41 315 457
ABSA Bank -Fixed Deposit 2069158294	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400
ABSA Bank -Call Account 4096797833	-	-	1 000	-	-	25 732
FNB Bank -Call Account 62818028484	-	-	21 132 093	-	-	-
ABSA Bank Call Account 4097484845	43 813	450 000	16 733	43 813	450 000	16 733
<b>Total</b>	<b>93 274 714</b>	<b>96 928 110</b>	<b>94 247 552</b>	<b>92 454 404</b>	<b>94 824 641</b>	<b>84 516 211</b>

### 16. Statutory receivables

In accordance with the principles of GRAP 108, statutory receivables of the Municipality are classified as follows

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Statutory receivables (continued)</b>		
Property rates	60 789 202	48 001 606
Fines	1 828 886	1 660 902
VAT Receivables	21 725 349	11 848 009
	<b>84 343 437</b>	<b>61 510 517</b>

The amounts above are disclosed after any provision for impairment has been taken into account.

### Property Rates

Property rates arise from the application of Municipal property rates act 6 Of 2004 .The transaction amount is based on the market value of the property using approved tariff of the council and any impairment are based on the individual collection ratio. Municipality levies interest on Rates outstanding after the due date for payment at 18% pa .

### Traffic Fines

Traffic fines arise from the application of administrative adjudication of Road Traffic Offenses Act of 1998.The transaction amount is based on the traffic offence committed and any impairment are based on the collection ratio.No interest is levied on Traffic fines outstanding .

### VAT Receivable

VAT Receivables represent the refunds claimable from SARS by the Municipality for value added taxes paid or claimed on the services or goods acquired by the municipality.VAT receivable is claimed when input VAT for the period exceed output VAT declared.

Ageing analysis for property rates and Traffic fines refer to note 14 and 12 respectively.

### Property Rates

Gross balance	152 717 616	122 549 062
Impairment	(91 928 415)	(74 448 456)
	<b>60 789 201</b>	<b>48 100 606</b>

### Traffic Fines

Gross amount	4 933 410	4 587 966
Impairment	(3 104 524)	(2 927 064)
	<b>1 828 886</b>	<b>1 660 902</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	15 397 612	14 910 084
- in second to fifth year inclusive	60 307 314	59 640 336
- later than five years	-	13 667 577
	75 704 926	88 217 997
less: future finance charges	(21 568 696)	(26 893 955)
<b>Present value of minimum lease payments</b>	<b>54 136 230</b>	<b>61 324 042</b>
<b>Present value of minimum lease payments due</b>		
- within one year	8 173 001	7 366 644
- in second to fifth year inclusive	45 963 229	41 138 040
- later than five years	-	12 819 358
	54 136 230	61 324 042
Non-current liabilities	45 963 232	53 945 496
Current liabilities	8 173 000	7 378 549
	<b>54 136 232</b>	<b>61 324 045</b>

Finance lease payments represent capital redemption payable by the Municipality for Zeeland Water Treatment Works. The Municipality entered into a contract with EXXARO for the contraction of the Water Treatment Plant on finance lease basis which is repayable over 15 years. Interest rate charged is based on EXXARO's weighted average cost of capital calculated using the their Audited annual financial statements. In the current year interest increase from 13% to 14.3% based on WACC.

## 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

Municipal Infrastructure Grant	1 867 167	5 203 128
Water Service Infrastructure Grant	-	5 398 261
Equitable Grant	-	5 695 357
INEP	804 410	-
	<b>2 671 577</b>	<b>16 296 746</b>

### Movement during the year

Balance at the beginning of the year	16 296 746	42 848 902
Additions during the year	108 704 985	111 145 687
Income recognition during the year	(117 030 154)	(137 697 843)
Paid back to Treasury	(5 300 000)	-
	<b>2 671 577</b>	<b>16 296 746</b>

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

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

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>18. Unspent conditional grants and receipts (continued)</b>		
These amounts are invested in a ring-fenced investment until utilised and it is cash backed		
The amount of R5 300 000 was paid back to Treasury as the roll over was not approved because atleast 50% spending of the grant was not achieved during the midyear assessment .		
<b>19. Other financial liabilities</b>		
<b>Designated at fair value</b>		
Bank loan	711 605	1 364 306
Terms and conditions		
<b>Non-current liabilities</b>		
Designated at fair value	-	725 665
<b>Current liabilities</b>		
Designated at fair value	711 605	638 641

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 20. Provisions for landfill

#### Reconciliation of provisions for landfill - 2022

	Opening Balance	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	51 630 887	(8 017 051)	43 613 836

#### Reconciliation of provisions for landfill - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	36 823 588	14 807 299	51 630 887

The Municipality acquired the landfill site from EXXARO in 2017/2018 FY. The landfill site was registered in the name of the Municipality on 03 November 2017 and is located on the farm, Groothoek 504 portion 1. The Groothoek landfill site is a permitted facility in terms of section 20 of the environmental conservation act 73 of 1989. The expected life span of the site is a further 15 years.

Assumption used:

Units Costs:

Units costs of each of the elements are contained annually by means of a commercial quotation. The details of this are provided separately.

Consumer Price Index

CPI is used to determine the future value of current costs in the year when the cost is projected to be incurred. The CPI figured used in the GLCCM is based on the three months average for the quarter that include the financial year end. The average CPI for the last three months amounted to 6,6085% .

Discount Rate

GRAP 19 states that where the effect of time value of money is material, the amount of the provision shall be the present value of the expenditure expected to be incurred to settle the obligation. In view of the long operational life of the landfills, the time value of money is considered material. Grap 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessment of the time value of money, and the risk specific to the liability .

Normal corporates bonds rates are used to determine the discount rate. In line with GRAP 25 defined benefits plans, government bonds rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (Municipality) .therefore government bond rates are considered more appropriate indicator of the risk associated with the entity that the corporates bonds rates to determine the discount rate. The Government bond rate most consistent with the estimated term of the estimated liability should be used. As inflation linked RSA retail bond rates have longer terms than fixed RSA retail bond rates ,inflation linked rates are used 16.

The rate most consistent with the remaining useful life of the landfill published at the end of the quarter that includes financial year end date was used .

For this landfill the rate associated with the maximum period of 10 years was used , ie 4% above CPI

### 21. Payables from exchange transactions

Trade payables	167 582 379	143 657 907
Payments received in advanced	22 542 630	26 636 735
Retention	28 793 478	26 184 156
Accrued leave pay	16 079 807	16 613 705
Other Payables	3 387 497	3 104 436
Accrued Bonus	4 424 766	4 352 029
	<b>242 810 557</b>	<b>220 548 968</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 21. Payables from exchange transactions (continued)

Included in Trade and other payables is the restated debt of DWS in relation to abstraction of raw water from Mokolo Dam for the period 2015 to 2022 (see note 49 for prior period errors).

### 22. Consumer deposits

Electricity and Water	8 577 004	8 002 640
Other Deposits	1 815 128	1 815 128
	<b>10 392 132</b>	<b>9 817 768</b>

Consumer deposit balance at year end was cash backed

### 23. Revenue

Service charges	254 228 371	251 916 299
Rental of facilities and equipment	155 910	144 812
Interest received (trading)	31 529 803	22 072 415
Licences and permits	10 372 972	9 195 084
Building Fees	1 086 865	644 816
Other Income	5 883 951	4 247 855
Interest received - investment	4 193 329	4 550 786
Property rates	95 852 154	91 234 459
Property rates - penalties imposed	13 683 231	9 480 096
Government grants & subsidies	301 125 832	302 171 823
Public contributions and donations	921 500	240
Fines, Penalties and Forfeits	513 969	1 038 267
	<b>719 547 887</b>	<b>696 696 952</b>

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

Service charges	254 228 371	251 916 299
Rental of facilities and equipment	155 910	144 812
Interest received Consumer Debtors	31 529 803	22 072 415
Licences and permits	10 372 972	9 195 084
Building Fees	1 086 865	644 816
Other Income	5 883 951	4 247 855
Interest received - investment	4 193 329	4 550 786
	<b>307 451 201</b>	<b>292 772 067</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

Property rates	95 852 154	91 234 459
Property rates - penalties imposed	13 683 231	9 480 096

##### Transfer revenue

Government grants & subsidies	301 125 832	302 171 823
Public contributions and donations	921 500	240
Fines, Penalties and Forfeits	513 969	1 038 267

**412 096 686 403 924 885**

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>24. Service charges</b>		
Sale of electricity	172 034 145	172 216 980
Sale of water	44 137 326	42 058 312
Refuse Removal	15 403 538	14 809 797
Sewerage and sanitation charges	22 653 362	22 831 210
	<b>254 228 371</b>	<b>251 916 299</b>
<b>25. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	155 910	144 812
	<b>155 910</b>	<b>144 812</b>
<b>26. Fines, Penalties and Forfeits</b>		
Municipal Traffic Fines	513 969	1 038 267
<b>27. Agency fees</b>		
Road and Transport	10 372 972	9 195 084
<b>28. Other revenue</b>		
Building Fees	1 086 865	644 816
Other Income	5 883 951	4 247 855
	<b>6 970 816</b>	<b>4 892 671</b>
<b>29. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	4 193 329	4 550 786

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022                      2021

### 30. Property rates

#### Property Rates

Property rates revenue	95 852 154	91 234 459
Property rates - penalties imposed	95 852 154	91 234 459
	13 683 231	9 480 096
	<b>109 535 385</b>	<b>100 714 555</b>

#### Valuations

Residential	6 172 528 000	6 103 680 000
Commercial	3 198 581 100	3 117 811 100
State	75 789 600	88 909 600
Municipal	730 123 700	724 079 800
Agricultural	0 484 334 000	0 221 272 500
Sectional Title	1 060 109 000	1 046 060 000
Exempted	531 625 000	533 660 000
	<b>!2 253 090 400</b>	<b>!1 835 473 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alteration and subdivisions.

A different rate is applied to property valuations to determine assessments rates. Rebates of R30 000 is granted to each residential property owners.

Rates are levied on an annual basis with the final date for payment being 30 June of each financial year. Interest at 18% per annum as levied on annual rates one month after the due date for payment.

### 31. Grants and subsidies paid

Grants and Subsidies Paid	545 121	681 126
---------------------------	---------	---------

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	180 343 357	185 494 643
Financial Management Grant	1 650 000	1 700 000
Local Government SETA	271 895	97 667
Expanded Public Works programme	1 220 000	1 568 000
EXXARO	-	657 894
	<b>183 485 252</b>	<b>189 518 204</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	49 349 961	54 246 443
Department of Water and Sanitation	42 595 029	51 170 399
Department of Local Government and Housing	-	236 777
Electrification Grant	25 695 590	7 000 000
	<b>117 640 580</b>	<b>112 653 619</b>
	<b>301 125 832</b>	<b>302 171 823</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	108 704 985	111 145 687
Unconditional grants received	174 648 000	164 011 000
	<b>283 352 985</b>	<b>275 156 687</b>
<b>EXXARO</b>		
Current-year receipts	-	657 896
Conditions met - transferred to revenue	-	(657 896)
	-	-
<b>Financial Management Grant</b>		
Current-year receipts	1 650 000	1 700 000
Conditions met - transferred to revenue	(1 650 000)	(1 700 000)
	-	-
<b>Municipal Infrastructure</b>		
Balance unspent at beginning of year	5 203 128	10 585 571
Current-year receipts	46 014 000	48 332 000
Conditions met - transferred to revenue	(49 349 961)	(53 714 443)
	<b>1 867 167</b>	<b>5 203 128</b>
<b>Equitable Conditional Grant</b>		
Balance unspent at beginning of year	5 695 357	-
Conditions met - transferred to revenue	-	27 179 000
Conditions met - transferred to revenue	(5 695 357)	(21 483 643)
	-	<b>5 695 357</b>
<b>Local Government SETA</b>		

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Government grants and subsidies (continued)</b>		
Current-year receipts	271 895	97 666
Conditions met - transferred to revenue	(271 895)	(97 666)
	-	-
<b>Expanded Public Works Programme</b>		
Current-year receipts	1 220 000	1 568 000
Conditions met - transferred to revenue	(1 220 000)	(1 568 000)
	-	-
<b>Department of Water and Sanitation</b>		
Balance unspent at beginning of year	5 398 261	31 368 661
Current-year receipts	33 049 090	25 200 000
Conditions met - transferred to revenue	(42 711 029)	(51 170 400)
Paid Back to National Treasury	(5 300 000)	-
	<b>(9 563 678)</b>	<b>5 398 261</b>
<p>Municipality was funded under schedule 6B of the DoRA. Under this section funds are only transferred to Municipality after the conditions of the grant were met. The receivable represent the funds that were not yet received at year end and for which conditions were met. The receivables amount was reclassified into Other Receivables from non-Exchange transactions to avoid offsetting against other unspent conditional grants receipts.</p>		
<b>Department of Local Government and Housing</b>		
Balance unspent at beginning of year	-	236 777
Conditions met - transferred to revenue	-	(236 777)
	-	-
<b>Electrification Grant</b>		
Current-year receipts	26 500 000	7 000 000
Conditions met - transferred to revenue	(25 695 590)	(7 000 000)
	<b>804 410</b>	-

### 33. Public contributions and donations

Public contributions and donations	921 500	240
------------------------------------	---------	-----

The Municipality received donations in the form of water tanker truck from Exxaro Grootgeluk Mine in the current financial year.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>34. Employee related costs</b>		
Basic	120 283 439	119 874 877
Bonus	9 576 965	9 651 742
Medical aid - company contributions	10 977 325	12 222 540
UIF	911 338	812 241
Leave pay provision charge	7 300 799	11 030 572
Overtime payments	12 009 494	13 241 434
Travel ,Motor car, Accommodation ,Subsistence and other allowances	10 205 102	10 753 546
Housing benefits and allowances	424 452	365 562
Standby Allowances	1 951 453	1 960 135
Phones Allowances	1 138 834	1 236 696
Defined Contributions Plan	27 480 495	25 121 849
	<b>202 259 696</b>	<b>206 271 194</b>

### Remuneration of municipal manager

Annual Remuneration	977 736	912 000
Car Allowance	149 874	120 362
Bonuses	-	113 067
Contributions to UIF, Medical and Pension Funds	197 796	165 973
Other	126 220	239 600
	<b>1 451 626</b>	<b>1 551 002</b>

Ms MM Cocquyt was appointed as the Municipal Manager on 01 July 2020 on a fixed contract term for 5 years.

### Remuneration of chief finance officer

Annual Remuneration	709 200	709 200
Car Allowance	142 442	142 442
Bonuses	59 100	59 100
Contributions to UIF, Medical and Pension Funds	201 366	186 746
Other	136 829	114 901
	<b>1 248 937</b>	<b>1 212 389</b>

Ms LM Matlwa was appointed as the Chief Financial Officer on 01 June 2020 on a fixed contract term for 5 years.

### Remuneration of executive Manager Infrastructure Services \_Masoga M

Annual Remuneration	630 000	568 060
Car Allowance	155 785	89 020
Performance Bonuses	52 500	-
Contributions to UIF, Medical and Pension Funds	158 929	132 475
Other	136 304	67 083
	<b>1 133 518</b>	<b>856 638</b>

Mr MC Masoga was appointed as Executive Manager Infrastructure Services on 01 August 2020 on a fixed contract term for 5 years.

### Remuneration of Executive Manager Strategic Support Services

Annual Remuneration	76 177	630 000
Car Allowance	5 387	135 755
Contributions to UIF, Medical and Pension Funds	17 280	196 006
Other	54 572	155 742
	<b>153 416</b>	<b>1 117 503</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 34. Employee related costs (continued)

Mr MG Makgamatha was appointed as the Executive Manager Strategic Support Services on 01 March 2020 on a fixed contract term for 5 years and passed away in July 2021. Mr MC Seanego has been appointed to act and paid acting allowance of R121 857,51

#### Executive Manager -Development Planning

The Position is Vacant. Ms MV Dankuru has been appointed to act and paid acting allowance of R94 713.89. Mr TBO Mabale, has been appointed to act and paid acting allowance of R30 031,23

Annual Remuneration	-	652 300
Car Allowance	-	138 810
Bonuses	-	59 300
Contributions to UIF, Medical and Pension Funds	-	159 355
Other	-	305 967
	-	<b>1 315 732</b>

#### Reconciliation of Employee Related Cost

Staff	202 186 958	206 271 194
Section 54A and Section 56	4 210 848	6 053 263
	<b>206 397 806</b>	<b>212 324 457</b>

The Position of Executive Manager Corporate Support Services is vacant. Mr PJ Moalushi and Ms AK Makholwa have been appointed to act and were paid the amounts of R92 403,80 and R36 383,99 respectively as acting allowance

The Position of Executive Manager Social Services is vacant. Mr JR Teffo has been appointed to act and was paid acting allowance R142 070,83

### 35. Remuneration of councillors

Remuneration of Councillors	12 077 627	10 912 368
-----------------------------	------------	------------

#### In-kind benefits

The Mayor, Speaker and one Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has used a Council owned vehicle for official duties and has a driver.

### 36. Depreciation and amortisation

Property, plant and equipment	86 854 684	84 478 471
-------------------------------	------------	------------

### 37. Finance costs

Interest on Provision for landfill site	4 555 653	2 728 887
Trade and other payables	8 962 996	6 531 089
Interest on leases and Loan	6 854 255	8 570 866
Interest on employee benefits obligation	8 096 000	8 217 000
	<b>28 468 904</b>	<b>26 047 842</b>

Interest on Trade and other payables emanates from the debt of DWS in relation to abstraction of raw water from Mokolo Dam for the period 2015 to 2022.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>38. Debt impairment</b>		
Water	22 159 380	1 744 159
Electricity	3 988 409	(2 609 773)
Property Rates	17 479 959	8 447 086
Sewerage	6 083 456	3 122 555
Refuse Removal	10 160 254	5 340 033
Traffic Fines	177 005	464 687
	<b>60 048 463</b>	<b>16 508 747</b>
<b>39. Bulk purchases</b>		
Electricity - Eskom	124 063 033	135 312 134
<b>40. Contracted services</b>		
<b>Outsourced Services</b>		
Debt Collection	4 857 747	1 500 277
Cleaning	278 865	418 297
Security Services	14 416 806	11 861 845
Other Outsourced	3 184 895	2 527 852
<b>Consultants and Professional Services</b>		
Accounting and Auditing Services	5 165 587	2 868 651
Master Plan	-	3 196 102
Valuation roll	1 187 464	123 050
Legal Cost	6 585 013	4 754 769
<b>Contractors</b>		
Maintenance Services	2 662 510	4 680 834
Prepaid Electricity Vendors	6 908 466	9 914 038
Water Tankering	-	1 893 335
	<b>45 247 353</b>	<b>43 739 050</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Operating expenses</b>		
Advertising	2 071 532	603 034
Auditors remuneration	4 460 351	5 410 601
Bank charges	1 582 016	1 500 528
Insurance	2 562 380	3 059 285
Conferences and seminars	1 836 509	1 638 823
Licenses and Softwares	7 959 641	8 486 084
Skills Development Levies	1 782 170	1 620 119
Fuel	6 644 639	5 151 995
Printing and stationery	2 279 456	2 095 889
Protective clothing	2 601 023	2 715 304
Membership and Registrations	2 301 545	2 348 690
Telecommunication and postal services	3 161 638	2 086 366
Subsistence and travelling	1 667 959	438 829
Municipal Consumption	7 791 461	4 347 276
COIDA Registration	545 369	1 049 239
Remuneration of Ward Committee Members	465 046	1 501 766
Other Operating Expenditure	9 562 027	5 581 614
EPWP Programme	1 355 004	1 521 949
Compensation for VWC	-	538 000
	<b>60 629 766</b>	<b>51 695 391</b>

Other Operating expenditure includes amount of R1 447 334 that was disclosed as fruitless and wasteful expenditure. This was due to paying higher rates than acceptable rates on the project named Construction of Marapong cemetery. The project was completed and capitalised in 2021/22FY. The final valuation was conducted upon completion and the fair valuation was below the actual cost by R1447 334.

## 42. Inventory Consumed

Spare Parts and consumables	12 513 778	12 657 814
Water Purchases	31 830 729	31 982 960
	<b>44 344 507</b>	<b>44 640 774</b>

## 43. Operating surplus

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

Gain on sale of non-current assets held for sale and net assets of disposal groups	-	346 270
Depreciation on property, plant and equipment	86 854 684	84 478 471
Employee related cost and remuneration of councillors	218 548 171	223 236 828

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>44. Cash generated from operations</b>		
Surplus	31 492 489	62 776 314
<b>Adjustments for:</b>		
Depreciation and amortisation	86 854 684	84 478 471
Gain on discontinued operations	-	346 270
Finance costs	27 185 769	26 047 842
Bad debts written off	60 048 463	16 508 748
Actuarial gain or Losses	4 104 000	(244 000)
Transfers of Assets	15 019 646	7 478 004
<b>Changes in working capital:</b>		
Inventories	(5 858 527)	(633 544)
Receivables from Exchange transactions	(46 950 873)	(36 730 905)
Other receivables from non-exchange transactions	(35 018 211)	(34 641 195)
Statutory receivables	(9 739 912)	(2 129 399)
Sundry Receivables	126 430	(126 428)
Provisions	(5 577 949)	(8 459 000)
Payables from exchange transactions	21 977 912	70 335 626
VAT	(8 714 219)	(18 674 850)
Unspent conditional grants and receipts	(13 625 169)	(26 552 159)
Consumer deposits	574 364	(843 148)
	<b>121 898 897</b>	<b>138 936 647</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure Assets	45 103 410	82 308 355
• Community Assets	31 602 828	38 105 751
• Other	1 957 260	587 503
	<b>78 663 498</b>	<b>121 001 609</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	78 663 498	121 001 609
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	900 970	3 695 500
• Community	3 014 091	12 238 671
• Other	41 182 225	23 303 246
	<b>45 097 286</b>	<b>39 237 417</b>
<b>Total operational commitments</b>		
Already contracted for but not provided for	45 097 286	39 237 417
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	78 663 498	121 001 609
Authorised operational expenditure	45 097 286	39 237 417
	<b>123 760 784</b>	<b>160 239 026</b>

This committed expenditure relates to Property plant and equipments as well as operational expenditure and will be financed by existing cash resources, funds internally generated, and grants .  
The commitment amounts shown above are VAT exclusive

### Operating leases - as lessee (expense)

#### Minimum lease payments due from leasing of Photocopy Machines

- within one year	852 339	947 163
- in second to third year	426 169	1 341 814
	<b>1 278 508</b>	<b>2 288 977</b>

Operating lease payments represent rentals payable by the municipality for rental of photocopy machines from EDUSOLUTION BOOKS SHOP CC. The lease period is for a period of three years and expires on the 24 July 2024. No contingent rent is payable. There are no escalation clause relating to rental agreement and the lease period is three year without renewal options. The leased items may not be subleased

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>46. Contingencies</b>		
<b>CONTINGENT LIABILITIES</b>		
KP Paul ,E Paul VS Lephalale Local Municipality	227 573	227 573
Rhine Vhane Civil Construction CC & Johan Ferdinard Bernad // Lephalale Municipality	6 172 518	6 127 518
Johan Ferdinard // Lephalale Municipality	2 600 000	2 600 000
Edward James Daniel De Villers // Lephalale Municipality	2 774 200	2 774 200
Edward James Daniel De Villers // Lephalale Municipality	19 808 774	19 808 774
Christiaan Lourens Erasmus // Lephalale Municipality	8 899 716	8 899 716
French Rural Development // Lephalale Municipality	34 729 050	34 729 050
Mmalerepo Investment // Lephalale Municipality	8 500 000	8 500 000
Ms NM Pudikabekwa //Lephalale Municipality	361 195	348 980
Mrs EM Tukakomo	-	676 925
Tsentse Manufacturers //Lephalale Municipality	942 584	942 584
Johannes Michael Van Rhooyen // Lephalale Municipality	-	1 150 000
Tebogo Francinah Morudu OBO Gontse // Lephalale Municipality	-	924 520
Leopiet Otwekkeling // Lephalale Municipality	174 650 031	174 650 031
Global Strake //Lephalale Municipality	1 222 218	-
Liesel &Pieter Cronje// Lephalale Municipality	1 400 000	-
	<b>262 287 859</b>	<b>262 359 871</b>

### 1. KP Paul and E Paul

KP Paul and E Paul are suing the Municipality for damages of R227 573. They claim that they suffered a loss due to the Municipality not supplying them with electricity due to infrastructure capacity constraints. The matter has been postponed indefinitely to allow the attorneys of Council to amend its plea as new facts arose after the plea was filed.

### 2. Rhine Vhane Civil Construction CC and Johan Ferdinard Bernard

The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R6 172 518 plus interest as unjust enrichment. The matter is still ongoing. Exchange of pleadings is still underway.

### 3. Johan Ferdinard Barnard

The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Johan Ferdinard Barnard as one of the purchasers which developed in the area are claiming R2 600 000 plus interest as unjust enrichment. The matter is at pleading stage and parties are exchanging pleadings.

### 4. Edward James Daniel De Villiers

The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Edward James Daniel De Villier as one of the purchasers which developed in the area are claiming R2 774 200 and R19 808 774 as unjust enrichment. The matter is at pleading stage. The estimated financial exposure is R22 582 974 plus interest.

### 5. Christiaan Lourens Erasmus

The Municipality sold stands in extension 50 for R1.00 per square meter around the year 2005, then council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council. Christiaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage. The estimated financial exposure is R8 899 716 plus interest.

### 6. French Rural Development

In 2016 French Rural development issued summons in high to compel the Municipality to transfer the stand it is occupying or alternatively pay the damages amounting to R34 729 050.00 The matter is still ongoing and the parties are exchanging pleadings

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 46. Contingencies (continued)

#### 7. Mmalerepo Investment

Mmalerepo Investment was one of the service providers that were appointed by the Municipality on an as and when required basis for the repairs and maintenance of municipal sewer pumps. They were then never given any order with regard to the appointment. As a result of that they issued summons against the Municipality in the Polokwane High Court for the amount of R8 500 000. The financial exposure is estimated to R8 500 000 plus interest.

#### 8. Ms NM Pudikabekwa

The Municipality disciplined Ms NM Pudikabekwa (Former Manager HR) for allegations of misconduct. Ms Pudikabekwa was then found guilty on all of the charges levelled against her and she was ultimately dismissed on 13th September 2019 as a municipal employee. Ms Pudikabekwa then appealed the decision of the disciplinary committee on the 25th September 2019. Should Ms Pudikabekwa win the appeal, the municipality may be ordered to either reinstate her to her position or alternatively reimburse her. Compensations never exceed six months salary so in this instance the possible financial liability at maximum will be half of employee's annual total cost to the Municipality which is R361 195.

#### 9. EM Tukakgomo

The Municipality disciplined EM Tukakgomo (Former MM) for allegations of misconduct. MsTukakgomo was then found guilty on all of the charges levelled against her and she was ultimately dismissed on 28th May 2019 as a municipal employee. The matter was concluded in 2022 financial year.

#### 10 Tsentse Manufacturers CC

In March 2020 Lephalale Municipality received summons from Tsentse Manufacturers for an outstanding invoice amount of R461 414.78 in respect of work done and amount of R481 169.54 which is the 5% retention in respect of the Witpoort RWS and Seleka Extensions Phase 5 project on the basis that 100% certificate was signed. The Municipality then appointed an attorney from the panel of attorneys to defend the matter. The attorneys entered appearance to defend for the work done by service provider, it was confirmed that only 80% of work was done and that the project has not been completed at 100%. Settlement negotiations are on going between parties and there is a possibility that the matter may be settled out of court.

#### 11. Johannes Michel Van Rhooyen

On the 6th May 2020, the Municipality was served with summonses by the sheriff of court on behalf of the plaintiff, Mr Johannes Michel Van Rhooyen. He was involved in motorcycle accident at Onverwacht road in Lephalale and is alleging negligence on the part of the Municipality for failure to ensure proper lighting and signage on that road. The plaintiff claims damages in the amount of R1 150 000,00 ranging from general damages to loss of income.

The Municipality appointed Machaba Incorporated to defend the matter. The intention to enter appearance to defend was filed on 22 June 2020.

#### 12 Tebogo Francinah Morudu Obo Gontse Morudu

The Municipality received combined summons on 23 July 2020 from Chueu Attorneys requesting the court for an order of damages in the amount of R924 520.29 plus interest p.a. According to the particulars of claim, the minor child represented by their guardian in this regard ascended a pylon that support a water reservoir and fell to the ground. The minor child suffered severe injuries because of the accident. The plaintiff is alleging negligence on the Municipality's side in that there was failure to maintain the infrastructure and further that the Municipality failed to install an anti-climbing device that could have prevented the fall. As a result, the plaintiff claims for past medical expenses, pain and suffering, temporary disability, and loss of amenities of life.

The Municipality has appointed Mmakola Matsimela Incorporated Attorneys to defend the matter and for such legal process to ensue. The notice of intention to defend was served and prepared a plea and a third-party notice. The opponents have not filed a notice of bar yet and we await for the process to unfold.

#### 13. Leopiet Ontwekking

The Municipality received combined summons on 24 November 2020 from Thomas and Swanepoel Incorporated requesting the court for an order of damages in the amount of R174 650 031,00 plus 8.75% interest p.a. According to the particulars of claim, the plaintiff alleges that the Municipality has failed in its legal duty to maintain or upgrade the Paal sewer treatment works and its subject to sewerage disposal network leading to the consequential overflow from the sewerage system of contaminated water, wastage, and affluent material onto the plaintiff's immovable property.

Further more, the plaintiff alleges that he has had no option but to sustain, maintain the spillage at his own costs including mitigating retention dam and all cost associated with the spillage. The Municipality has appointed Mmakola Matsimela

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 46. Contingencies (continued)

Attorneys to defend the matter and for such legal process have ensued. The notice of intention to defend has been served and we are now awaiting the response from opposing Attorneys.

### 14. Global Strake Security

Lephalale Municipality appointed Global Strake Security in 2018 for provision of physical security at selected municipal sites. Global Strake Security issued summons for the amount of R1 222 218 against the municipality for damages allegedly suffered through provision of additional security services which the company offered at the mayor's residence. The Municipality did not authorize the services in question to be offered in terms of the contract and therefore appointed attorneys to defend the action. Mmakola Matsimela attorneys were appointed to defend the action. The matter is currently on pleadings stage.

### 15. Liesel & Pieter Cronje

Liesel & Pieter Cronje are co-owners of the property called Moshate guesthouse within the jurisdiction of Lephalale. The owners alleges that the property has been overbilled on electricity consumption due to an alleged faulty electricity meter. The owners then lodged the complaint with the Municipality but however after deliberations, an agreement could not be reached. The owners then issued summons for an amount of R1.4 million for refund on overbilling of electricity consumption. The Municipality then defended the action and appointed Mmakalo Matsimela attorneys. The matter is currently under negotiations and there is a possibility that it may be resolved outside of Court.

## CONTINGENT ASSETS

Lephalale Municipality // Blue Horizon	11 307 114	11 307 114
Lephalale Local Municipality // Big Time Strategic Consultants	2 850 000	2 850 000
	<b>14 157 114</b>	<b>14 157 114</b>

### 1. Lephalale Municipality // Blue Horizon

Around 2008 the Municipality entered into service agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extension. In exchange for the service, Blue Horizon was to contribute about R9 800 000 towards bulk services, which to date they have failed to pay. Despite demand by the Municipality, Blue Horizon Investment has failed/refused to pay. The council has appointed an attorney to claim the money on its behalf. Blue horizon is currently undergoing an insolvency process. The Municipality has lodged claim of R11 307 114.31.

### 2. Big Time Strategic Consultants// Lephalale Municipality

Lephalale Local Municipality conducted a forensic investigation through PWC and such forensic report was submitted to the Municipality around March 2016. The report revealed that the Big Time, the Company that was appointed to do IT infrastructure review and readiness for the implementation of mSCOA, was not appointed according to the prescribed method of appointing service providers and further they did not even finish their scope of work accordingly.

The report recommended that legal actions be taken to recover the amount spent on the project as the payments were irregular. Mohale attorneys were then appointed to institute a legal action against the parties responsible for irregular expenditure. Summons were issued in the High Court for the amount owed in terms of the contract and the default judgement in the amount of R2 850 000 was obtained. The Municipality's attorneys of record executed the judgement by attaching the properties of Big Time but the attached properties were not enough to cover the outstanding capital amount and the cost of recovery. The estimated financial exposure should be R2 850 000 being the estimated legal cost plus the amount claimed in the notice of motion by the applicant.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 47. Related parties

Relationships	
Accounting Officer	MM Cocquyt
Close Family Members Key Management	NS Maeko
Executive Manager :Infrastructure	M Masoga
Chief Financial Officer	LM Matlwa
Executive Manager :Social Services	Position Vacant
Executive Manager :Development Planning	BC Radipabe (Contract ended 31 May 2021)
Executive Manager:Corporate Services	Position Vacant
Executive Manager:Strategic Support Services	MG Makgamatha

For the remuneration of the above key management personnel refer to employee related cost note. Mrs N.S Maeko is the wife to the former Mayor whose tenure ended on the 3rd of November 2021.

Councillors Remuneration	Salary	Cellphone	Travelling	Travelling Subsidy	Total
Cllr A Thulare -Mayor	629 199	(280)	209 733	-	838 652
Cllr GG MArakalala -Speaker	355 989	26 293	118 663	2 157	503 102
Cllr MR Modiba -EXCO member and Chairperson of Governance, Admin and BTO	411 585	40 800	137 842	9 968	600 195
Cllr ML Shongwe-EXCO Member and Chairperson of Infrastructure Services	436 612	40 800	146 538	4 598	628 548
Cllr N Pienaar-EXCO Member and Chairperson of Social Services	340 278	40 800	113 426	-	494 504
Cllr MM Semanya -EXCO Member and Chairperson of Planning and Economic Planning	365 306	40 800	122 767	4 180	533 053
Cllr SJ Machaba- Chief Whip	180 368	26 293	60 122	8 683	275 466
Cllr L Monare -Chair person of Chairpersons	280 431	40 800	93 476	1 839	416 546
Cllr S Mpedi-Chairperson of Geographical name Change Committee	180 722	26 293	60 240	3 237	270 492
Cllr B Moloantoa-Chairperson of Women Cocaus Committee	180 722	26 293	60 240	4 180	271 435
Cllr W Motlokwa-Chairperson of radical Social economic transformation	364 938	40 800	121 645	29 998	557 381
Cllr PKJ Selolo-Chairperson of Ethics Committee	180 722	26 293	60 240	-	267 255
Cllr MM Makgae-Chairperson of MPAC	258 417	40 800	86 787	8 908	394 912
Cllr RM Magoai	140 822	26 293	46 941	-	214 056
Cllr E Seepe	140 822	26 293	46 941	1 815	215 871
Cllr SJ Moselane	140 822	26 293	46 941	-	214 056
Cllr DA Mothoni	140 822	26 293	46 941	-	214 056
Cllr SM Nieuwoudt	216 254	42 080	72 085	3 576	333 995
Cllr MW Langa	140 822	26 293	46 941	-	214 056
Cllr EL Setho	140 822	26 293	46 941	-	214 056
Cllr KC Bopape	140 822	26 293	46 941	1 839	215 895
Cllr DA Mongalo	140 822	26 293	46 941	-	214 056
Cllr TR Modise	218 517	40 800	72 839	3 996	336 152
Cllr MJ Madibana	140 822	26 293	46 941	6 274	220 330
Cllr KL Mosupye	140 822	26 293	46 941	1 839	215 895
Cllr HW Venter	140 822	26 293	46 941	-	214 056
Cllr RA Mokgetlhe	140 822	26 293	46 941	-	214 056
Cllr TA Makopo	48 324	10 113	16 107	-	74 544
Cllr SM Moloantoa	105 734	19 742	35 245	-	160 721
Cllr LS Manamela	102 722	14 507	35 241	-	152 470
Cllr P Molekwa	77 695	14 507	25 898	-	118 100
Cllr MJ Marakalala	99 809	14 507	33 236	-	147 552

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand				2022	2021
<b>47. Related parties (continued)</b>					
Cllr AE Basson	77 695	14 507	25 898	-	118 100
Cllr ME Maisela	99 709	14 507	33 236	-	147 452
Cllr MJ Selokela	98 709	14 507	33 236	-	146 452
Cllr MJ Maeko	245 508	14 507	80 736	-	340 751
Cllr KR Molokomme	196 408	14 507	65 469	-	276 384
Cllr NJ Motebele	99 709	14 507	33 236	-	147 452
Cllr SL Seabi	77 695	14 507	26 546	-	118 748
Cllr KM Mogohloana	77 695	14 507	26 546	-	118 748
Cllr MF Mashita	77 695	14 507	25 898	-	118 100
Cllr FM Mabasa	77 695	14 507	25 898	-	118 100
Cllr MM Madibana	77 695	14 507	26 546	-	118 748
Cllr KG Mbedzi	77 695	14 507	25 898	-	118 100
Cllr MR Rangata	77 695	14 507	25 898	-	118 100
Cllr MJ Sebetha	140 822	26 293	46 941	-	214 056
	<b>8 226 633</b>	<b>1 103 441</b>	<b>2 747 644</b>	<b>97 087</b>	<b>12 174 805</b>

### Related party balances

#### Amounts included in Sundry receivables regarding related parties

MM Cocquyt	-	51 967
------------	---	--------

#### Rentals included in the rental of equipment and facilities

MM Cocquyt	108 660	51 967
MG Makgamatha	12 600	37 800
BC Radipabe	-	39 138
M Masoga	34 650	-

#### Award to immediate family members of the related Parties

Fhisol	1 318 511	2 333 009
--------	-----------	-----------

The director of Fhisol, the company was appointed as civil engineers is the son of the councillor of The Municipality.

#### Close Family Members to Key Management Personnel -NS Maeko

Salaries and Leave days paid	123 548	395 415
Bonus	-	29 027
Social Contribution	47 985	142 957
Long Service Award	-	39 198

Mrs NS Maeko is the wife of the former mayor of Lephalale Local Municipality whose term of office ended on the 3rd November 2021. Mrs NS Maeko is an employee of the municipality and works as Clerk in the Development Planning Directorate

### Remuneration of management

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 48. Change in estimate

#### Property, plant and equipment

The useful life of certain items of property plant and equipments were reassessed in the current year according to the table below. The effect of this change estimates resulted in decrease in depreciation for the current year by R1 847 804 and increase in the future depreciation by the same amount. This change in estimate was prospectively accounted for.

2022	Initially estimated	Effect of change in estimates	Revised estimates
Community Assets	250	179	72
Computer Equipment	22 249	12 181	10 068
Furniture And Fittings	197 372	150 697	46 674
Infrastructure	41 232	29 433	11 799
Motor Vehicles	1 745 130	1 616 607	128 523
Office Equipment	48 035	37 021	11 013
Plant And Equipment	2 270	1 685	585
	<b>2 056 538</b>	<b>1 847 803</b>	<b>208 734</b>

### 49. Prior period errors

#### 1. Purchases of Raw water

Municipality signed agreement with Department of water and Sanitation for the supply of raw water. In terms of the agreement and National Water act Municipality has to pay for the raw water extracted from the facilities belonging to the department. It was discovered that the invoices for the raw water bulk purchases were not recognised since the inception of the agreement in 2015

#### 2, Altoostyd Properties

The council has approved the retrospective exception of altoostyd properties registered in the name of Limpopo Department of Cooperative governance and traditional affairs in 2017. Properties were developed for the benefits of Lephalale residence.

#### 3. Unauthorised Expenditure

During investigation of Unauthorised expenditure it was discovered that the total Unauthorised expenditure was understated in the prior years. The Unauthorised expenditure was as a result of overspending on the total expenditure

#### 4. Irregular Expenditure

The Municipality conducted the investigation of historical Irregular expenditure. The investigation revealed that the total amount of irregular expenditure previously reported was understated

#### 5. Marapong Cemetery

Municipality received land used for construction of Marapong Cemetery from EXXARO as public contribution and donation. Construction on site started in 2020 financial year and the land was not recognised in the accounting records

#### 6. Shongoane VIP Toilets

The project for construction of VIP toilets in shongoane was completed on 27 October 2021 and the completion certificate was issued. The project was erroneously not removed from the WIP register at the end of 2021 financial year even though the toilets were transferred to beneficiaries

#### 7. Land for Municipal buildings and facilities

It was discovered that some of the land used for municipal buildings and facilities were not included in the accounting records resulting in the understatement of land in the property plant and equipment

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 49. Prior period errors (continued)

#### 8. Investment property

Some pieces of the land held for undetermined use were erroneously omitted from the fixed asset

#### 9. Reclassification of land to Investment Property

Some of the properties were incorrectly classified as property plant and equipment instead of Investment property

#### 10. Contingent Assets

Contingent asset relating to Blue Horizon was previously overstated as the amount disclosed in the annual financial statement differed with the amount per summons

#### 11. Waste Management Revenue

Some of the properties in the valuation roll were incorrectly omitted from the billing for refuse in the prior years

The corrections of prior period errors were retrospectively accounted for. The impact of retrospective application is as follows :

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>49. Prior period errors (continued)</b>		
<b>1.Purchases of Raw Water</b>		
Increase in Bulk Purchases		17 044 851
Increase in Finance Cost		6 531 079
Decrease in Accumulated Surplus		79 512 116
Increase in trade payable from Exchange transactions		(114 828 711)
Increase in VAT Receivables		11 740 665
		-
<b>2. Altoostyd Properties</b>		
Decrease in Services Charges		11 608 546
Decrease in interest earned on Outstanding Receivable -Service Charges		1 831 752
Decrease in Property Rates		10 469 307
Decrease in interest earned on Outstanding Receivable -Property Rates		4 224 500
Decrease in Accumulated Surplus		29 635 354
Increase in VAT receivables		2 164 661
Decrease in Receivables from Exchange Transactions		(18 427 487)
Decrease in Receivables from Non-Exchange Transactions		(41 506 633)
		-
<b>3. Unauthorised expenditure</b>		
Increase in Unauthorised Expenditure		3 681 918
<b>4. Irregular Expenditure</b>		
Increase in Irregular Expenditure		54 409 098
<b>5.Land for Marapong Cemetery</b>		
Increase in land		550 000
Increase in accumulated surplus		(550 000)
		-
<b>6. Shongoane VIP Toilets</b>		
Increase Transfer of Infrastructure Assets		7 478 004
Decrease in Work in Progress		(7 478 004)
		-
<b>7. Land for Municipal buildings and facilities</b>		
		-
Increase in Land		755 484
Increase in Accumulated Surplus		(755 484)
		-
<b>8. Investment property</b>		
Investment property		7 730 000
Accumulated surplus		(7 730 000)
		-
<b>9. Reclassification of Properties from PPE</b>		
Investment property	-	6 110 000
Land	-	(6 110 000)
	-	-

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>49. Prior period errors (continued)</b>		
<b>10. Contingent assets</b>		
Decrease in continent assets(Blue Horizon Investment)	-	(478 279)
<b>11. Revenue from Waste Management</b>		
Increase in Receivables from Exchange transactions	-	275 296
Increase in Service Charges	-	(123 279)
Decrease in VAT Receivables	-	(35 907)
Accumulated Surplus	-	(116 110)
	-	-
<b>12. Work In Progress</b>		
Decrease in Accumulated Surplus	-	1 029 485
Decrease in Property Plant and Equipment (WIP)	-	(1 029 485)

2021	Previously reported	Correction of error	Reclassification on	Restated
Bulk Purchase	150 249 318	-	(14 947 233)	135 302 085
Finance cost	19 516 753	6 531 079	-	26 047 832
Payables from Exchange transactions	(105 720 258)	(114 828 711)	-	(220 548 969)
VAT Payable	(2 021 411)	13 869 446	(11 848 035)	-
Service charges	(263 391 557)	11 485 267	-	(251 906 290)
Interest earned on outstanding receivables -Service charges	(23 904 167)	1 831 752	-	(22 072 415)
Interest earned on outstanding receivables -Property rates	(13 704 595)	4 224 500	-	(9 480 095)
Property rates	(101 703 766)	10 469 307	-	(91 234 459)
VAT receivables	-	-	11 848 035	11 848 035
Receivables from exchange transactions	115 856 914	(18 152 191)	-	97 704 723
Receivables from non-exchange transactions	89 606 894	(41 506 633)	-	48 100 261
Transfers of infrastructure assets	-	7 478 004	-	7 478 004
Inventory consumed	12 657 814	17 044 851	14 947 233	44 649 898
Land	62 806 572	1 305 484	(6 110 000)	58 002 056
Work in progress	257 878 360	(8 507 489)	-	249 370 871
Accumulated Surplus	(1 338 090 358)	101 025 334	-	(1 237 065 024)
Invetsment property	-	7 730 000	6 110 000	13 840 000
	-	-	-	-

## 50. Risk management

### Liquidity risk

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

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations

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.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 50. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Municipality request consumers to pay deposit when opening new accounts to reduce the risk of non payment of services.

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

Financial instrument		
Cash and Cash equivalents	92 765 400	94 824 641
Receivables from exchange transactions	112 914 182	97 429 027
Receivables from Non-Exchange transactions	66 968 043	48 100 606
Other receivables from Non-Exchange transactions	1 828 887	1 660 447
Sundry Receivables	57 740	186 170
	-	-
<b>Total</b>	<b>274 534 252</b>	<b>242 299 891</b>

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

#### Financial Liabilities

Loan	711 605	1 364 306
Finance Lease	54 136 232	61 324 045
Trade and other payables from exchange transactions	242 971 731	220 548 968
Consumer Deposit	10 392 132	9 817 768
Unspent conditional grant	2 671 577	16 296 746
<b>Total</b>	<b>310 883 277</b>	<b>309 351 833</b>

#### Market risk

2021	Within 1 year	Between 2 to 5 years	over 5 years	Column heading	Total
BBSA loan	638 641	-	-	-	638 641
Finance lease liability	7 378 549	53 945 496	-	-	61 324 045
Payables from exchange transactions	220 548 968	-	-	-	220 548 968
Unspent conditional grant	16 296 746	-	-	-	16 296 746
Consumer Deposit	9 817 768	-	-	-	9 817 768
	<b>254 680 672</b>	<b>53 945 496</b>	-	-	<b>308 626 168</b>

2022	Within 1 year	Between 2 to 5 years	over 5 years		Total
BBSA loan	711 605	-	-	-	711 605
Finance lease liability	8 173 000	45 963 232	-	-	54 136 232
Payables from exchange transactions	243 146 340	-	-	-	243 146 340
Unspent conditional grant	2 671 577	-	-	-	2 671 577
Consumer Deposit	10 392 132	-	-	-	10 392 132
	<b>265 094 654</b>	<b>45 963 232</b>	-	-	<b>311 057 886</b>

#### Interest rate risk

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>51. Unauthorised expenditure</b>		
Opening balance as previously reported	49 028 194	45 346 276
Correction of prior period error	-	3 681 918
<b>Opening balance as restated</b>	<b>49 028 194</b>	<b>49 028 194</b>
Add: Expenditure identified - current	5 636 000	-
Less: Authorised by council	(48 774 293)	-
<b>Closing balance</b>	<b>5 889 901</b>	<b>49 028 194</b>

After the council committee investigations, council adopted the council committee recommendation to authorise an amount of R48 774 293 - from the Unauthorised expenditure as it was proven without reasonable doubt that the amount was not recoverable. The investigations revealed that the council did not suffer any losses from the acts of non compliance that resulted in unauthorised expenditures written off. Although the council did not suffer material losses the report recommends that actions should be taken against the officials responsible for the breach of MFMA and prescripts. The council has adopted the recommendations of the investigation report and resolve accordingly.

Additional unauthorised expenditure incurred in the current year was as a result of huge debt impairment recognised. The debt impairment exceeded the budget by R43 465 463

### Recoverability of unauthorised expenditure

#### 52. Fruitless and wasteful expenditure

Opening balance as previously reported	19 616 237	19 603 942
<b>Opening balance as restated</b>	<b>19 616 237</b>	<b>19 603 942</b>
Add: Expenditure identified - current	1 474 230	12 295
Less: Amounts recovered- current	(11 743)	-
<b>Closing balance</b>	<b>21 078 724</b>	<b>19 616 237</b>

The amount of R11 743 has been recovered from Employees by Management for Consequence Management .

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 52. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>		
Interest on overdue accounts	Recoverd from responsible Officials	11 743	12 295
Expenditures incurred on Cancelled meeting	To be recorverd from responsible officials	15 153	-
Higher than acceptables rates charged on WIP	To be investigated	1 447 334	-
		<b>1 474 230</b>	<b>12 295</b>

The opening balance of Fruitless and wasteful expenditure, which is R19 616 237 was under investigation as at 31 August 2022 when financial statements were submitted for audit. The balance was as a result of the following:

1. Marapong Reservoir that was constructed in 2013 at a cost of R8,5 million but could not be used by management as intended
- 2 Theft and Vandalism at Zongesien waste water Treatment plant also valued at R8 million.
3. Interest on Eskom account , R2 million
4. Payment for session that was not duely approved by accounting officer , R400 000.

Officials responsible for fruitless and wasteful expenditures above ,except for interest on late settlement of Eskom Account were charges and two official were dismissed , one resigned before desciplinary process could be completed and penalties were imposed on the other two officials. In total five officials were charged. Interst on Eskom account was incurred during 2015/16 and 2016/17 during which Municipality was facing financial problems, there was no sufficient cash to payment Eskom account when it was due at the time. Criminal cases were not opening with South African Police Services. The Council has suffered significant losses in all cases listed above.

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>53. Irregular expenditure</b>		
Opening balance as previously reported	431 338 467	353 845 685
Correction of prior period error	-	48 596 552
<b>Opening balance as restated</b>	<b>431 338 467</b>	<b>402 442 237</b>
Add: Irregular Expenditure - current	19 111 446	23 083 684
Add: Irregular Expenditure - prior period	-	5 812 546
Less: Amount written off	(172 506 245)	-
<b>Closing balance</b>	<b>277 943 668</b>	<b>431 338 467</b>

The remaining balance of R277 943 668 is under investigation by independence service provider appointed to conduct investigation on behalf of the council committee. The cases relate to non compliance with procurement process requirements. The criminal cases were not opened with South African Police Services as the investigation report will also assist in identifying the responsible official. Disciplinary actions will be taken against responsible officials only after the conclusion of the investigation report.

### Cases under investigation

### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R172 504 245 - from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. The investigations revealed that the council did not suffer any losses from the acts of non compliance that resulted in irregular expenditures written off. Although the council did not suffer material losses the report recommends that actions should be taken against the officials responsible for the breach of MFMA and its related SCM legislations and prescripts. The council has adopted the recommendations of the investigation report and resolve accordingly.

All amounts of irregular expenditures include VAT where applicable

### 54. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	31 492 489	62 776 314
--	------------	------------

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

#### Contributions to organised local government

Current year subscription / fee	2 289 686	2 030 020
Amount paid - current year	(2 289 686)	(2 030 020)
	-	-

#### Audit fees

Current year subscription / fee	4 484 612	5 398 835
Amount paid - current year	(4 484 612)	(5 398 835)
	-	-

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>55. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	56 189 614	54 780 793
Amount paid - current year	(56 189 614)	(54 780 793)
	-	-

### Deviations from Supply Chain Management policy

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. During the current financial year (2021-22), Municipal Manager has approved the deviations amounting to R2 041 644 (2021:R5 960 026). Amounts Include VAT

Section 36(1)(a)(i) Emergency	-	2 532 730
Section 36(1)(a)(ii) Sole Supplier	630 397	1 765 500
Section 36(1)(a)(iii) Impractical to follow official procurement process	1 411 247	1 661 796
	<b>2 041 644</b>	<b>5 960 026</b>

### 56. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	711 605	1 364 306
------------------------------	---------	-----------

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 57. Segment information

#### General information

#### Identification of segments

The municipality is organised financial information for budgeting purposes on the basis of four major functional areas: Electricity Management, Water Management, Waste Water Management and Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

#### Aggregated segments

Other Municipal activities were not aggregated into a general reportable segment

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

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

Reportable segment	Goods and/or services
Electricity Management	Electricity
Water Management	Water
Waste Water Management	Sanitation
Waste Management	Refuse Removal

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2022

	Electricity Management	Water Management	Waste Water Management	Waste Management	Non-reportable segments	Total
<b>Revenue</b>						
Grants and subsidies	25 695 590	42 711 029	-	1 220 000	231 499 213	301 125 832
Property Rates	-	-	-	-	95 747 804	95 747 804
Traffic fines	-	-	-	-	505 719	505 719
Public Contributions and Donations	-	-	-	-	921 500	921 500
Interest on outstanding Receivables -Property Rates	-	-	-	-	13 683 231	13 683 231
Service Charges	171 739 553	44 137 326	22 653 362	15 277 341	-	253 807 582
Rental of equipments and Facilities	-	-	-	-	155 910	155 910
Interest on outstanding Receivables -Service charges	6 158 984	13 306 773	5 552 979	6 511 063	-	31 529 799
Agency Fees	-	-	-	-	10 372 972	10 372 972
Building Fees	-	-	-	-	786 532	786 532
Other Revenue	-	-	-	-	5 469 099	5 469 099
Interest earned-External Investments	-	-	-	-	4 504 325	4 504 325
<b>Total segment revenue</b>	<b>203 594 127</b>	<b>100 155 128</b>	<b>28 206 341</b>	<b>23 008 404</b>	<b>363 646 305</b>	<b>718 610 305</b>
<b>Entity's revenue</b>						<b>718 610 305</b>

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Electricity Management	Water Management	Waste Water Management	Waste Management	Non-reportable segments	Total
<b>57. Segment information (continued)</b>						
<b>Expenditure</b>						
Employee Related Cost	19 454 696	20 905 624	14 134 911	15 731 695	136 170 880	206 397 806
Remuneration of Councillors	-	-	-	-	12 077 627	12 077 627
Depreciation, Impairment and amortisation	(5 630 615)	(32 664 139)	(5 181 022)	(201 200)	(50 078 764)	(93 755 740)
Finance Cost	-	14 534 116	-	4 555 653	8 096 000	27 185 769
Debt Impairment	(1 835 096)	16 696 889	3 950 879	9 517 957	12 848 173	41 178 802
Bulk Purchases	124 063 033	-	-	-	-	124 063 033
Contracted Services	8 858 470	1 136 136	2 635 167	724 075	31 955 360	45 309 208
Transfers and Subsidies	-	-	-	-	545 121	545 121
Operating Expenses	463 344	5 991 193	413 514	6 110 735	46 203 646	59 182 432
Actuarial gain/losses	-	-	-	-	4 104 000	4 104 000
Transfer of infrastructure asset	15 019 646	-	-	-	-	15 019 646
Inventory Consumed	3 972 772	33 570 354	537 157	1 493 729	3 725 761	43 299 773
<b>Total segment expenditure</b>	<b>164 366 250</b>	<b>60 170 173</b>	<b>16 490 606</b>	<b>37 932 644</b>	<b>205 647 804</b>	<b>484 607 477</b>
<b>Total segmental surplus/(deficit)</b>						<b>234 002 828</b>
<b>Assets</b>						
Capital Expenditure	30 826 398	39 731 589	29 098 244	6 168 071	11 145 009	116 969 311
<b>Total assets as per Statement of financial Position</b>						<b>116 969 311</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

### 58. Budget differences

#### Material differences between budget and actual amounts

Material differences between budget and actual amounts

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 58. Budget differences (continued)

A1 Service Charges -Due to low consumption from Consumers

A2 Rental of facilities and Equipments-There was less activities on sport facilities than intended.High vacancy rate for executive Positions.

A3 Interest received on debtors -High debt book

A4 Licences and permit - Due to acceleration to address backlog on renewal of licences during lock down

A5 Building fees-Uplifting of Covid -19 regulations

A6 Other Income-Uplifting of Covid -19 regulations

A7 Interest received on investment-Low spending on conditional grant

A8 Property rates -Exemption of Altoostyd properties

A9 Interest received on property rates -High debtors book

A10 Government grants and subsidies -Underspending on WSIG and implementation of schedule 6B of DoRA

A11. Public contributions and donation- Due to donation received from EXXARO

A12 Fines , penalties and forfeits- Less offences

A13 Personnel- Due to high vacancy rates

A14 Remmuration of Councillors-Within the norm

15 Depreciation , Impairment and amortisation-Delays on the completion of projects and implementation of approved capital project

A16 Finance Cost-Due to interest of Provisions for landfill site and employee provisions.

A17 Debt Impairment- High debt book

A18 Bulk Purchases-Additional supply of water to informal settlement

A19 Contracted Services -More maintenance was done internally and Prepaid vending project ended

A20 Transfers and subsidies- Unclaimed fund from NGO

### 59. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement(s).

**Details of the arrangement(s) is|are as follows:Details of the arrangement(s) is|are as follows:**

Lephalale Local Municipality renders registry and licence services on behalf of the Limpopo Department of Road and Transport.In terms of the agreement, Municipality is entitled to agency fees from the collected funds. Therefore Lephalale Local Municipality is an agent to the Limpopo Department of Road and Transport(Principal)

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 59. Accounting by principals and agents (continued)

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the Municipality recognised as compensation for the transactions carried out on behalf of the principal is R10 372 972 (2021: R9 195 084). This amount is recognised in the statement of financial performance as agency fee

#### Liabilities and corresponding rights of reimbursement recognised as assets

The amount of R1 370 719 (2021: R1 581 188) was collected and not yet paid to the principal at year end and was included in the trade and payables from exchange transactions.

#### Additional information

#### Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

#### Amount of revenue received on behalf of the principal during the reporting period

Total Collections	39 165 524	35 430 770
Amount Due to Municipality	(10 372 972)	(9 295 084)
Amount due to Principal -Limpopo department of Transport	(28 792 552)	(26 135 686)
	-	-

Municipality did not incur any expenditures relating to principal agent agreement

### 60. Distribution Losses

**Water Losses**-The Municipality's water losses for 2022 and 2021 are 47.9% and 40.88% respectively. The losses are due to illegal connections in Marapong township and the asbestos pipes in the network which often break. The Municipality is in the process of replacing asbestos pipes and addressing the illegal connections in Marapong.

#### Water Losses

Units Purchased (kl)	7 436 830	7 364 325
Units Sold (kl)	3 872 056	4 146 784
Average cost per Unit (Rands)	4.14	4.33
Losses (kl)	3 564 774	3 217 577
Water losses (%)	47,9%	44%

**Electrical losses** -The Municipality's electrical losses was 16% in 2022 and 3% in 2021. Electrical losses are within acceptable norm. Municipality has installed check meters to confirm the Eskom billing monthly

#### Electrical losses

Units Purchased (kw/h)	103 638 000	95 260 200
Units sold (kw/h)	87 106 319	92 829 697
Average cost per unit(Rands)	1.21	1.42
Loss in Kw/h	16 531 682	2 430 503
Losses in %	16%	3%

# Lephalale Local Municipality

(Registration number LIM362)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>61. Transfer of Infrastructure Assets</b>		
Electricification Project	15 019 646	-
VIP Toilets	-	7 478 004
	<b>15 019 646</b>	<b>7 478 004</b>

Transfer of infrastructure assets refers to assets that upon completion are transferred to third parties.

Electrication of project that are undertaken by the Municipality in Eskom licenced area are transferred to Eskom up completion.

VIP toilets are constructed on behalf of the beneficiaries and transferred upon completion.