



Thembelihle Local Municipality  
Annual financial statements  
for the year ended June 30, 2022  
Auditor-General of South Africa

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## General Information

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<b>Nature of business and principal activities</b>	Provision of municipal services in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Municipal Systems Act, 2000 (Act No. 32 of 2000)
<b>Mayoral committee</b>	
Executive Mayor	L Makenna
Councillors	B Mpamba D Jonas (Speaker) R Jansen ( MPAC Chairperson) G Guest HL Brits J Tallies S Swartling V Dolopi PP Van Niekerk TE Dienna T Yola F Mans E Stenekamp J Mkosana
<b>Grading of local authority</b>	The Thembelihle Local Municipality is a grade 2 Local Authority in terms of items of Government Notice R999 of 2 October 2001, Published in terms of the remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998)
<b>Accounting Officer</b>	L Ngoqo
<b>Chief Finance Officer (CFO)</b>	M Dyushu (Acting)
<b>Registered office</b>	Municipal Offices Church Street Hopetown 8750
<b>Business address</b>	Municipal Offices Church Street Hopetown 8750
<b>Postal address</b>	Private Bag X3 Hopetown 8750
<b>Bankers</b>	Standard Bank of South Africa Limited
<b>Auditors</b>	Auditor-General of South Africa

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data

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

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

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

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

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

The municipality's operations depend on a number of sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Thembelihle Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, the fair presentation of the financial statements have been audited by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been audited by the municipality's external auditors.

The annual financial statements set out on pages 4 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

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**L Ngoqo**  
**Accounting Officer**

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Finance Management, 2003 (Act No. 56 of 2003) and Municipal Systems, 2000 (Act No. 32 of 2000) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 3,312,159 (2021: deficit R 28,918,541).

### 2. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus of R 128,771,589 and that the municipality's total assets exceed its liabilities by R 128,771,589.

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue, 2020 (Act No. 4 of 2020).

### 3. Subsequent events

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

### 4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

### 5. Accounting policies

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, 2003 (Act No. 56 of 2003).

### 6. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2016. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three-monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

# **Thembelihle Local Municipality**

Annual Financial Statements for the year ended June 30, 2022

## **Accounting Officer's Report**

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### **Council**

The Council:

- retains full control over the municipality, its plans and strategy; and
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.

### **Remuneration**

The upper limits of the remuneration of the councillors, are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required by the Remunerations of Public Office Bearers, 1998 (Act No. 20 of 1998).

### **Committee meetings**

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

### **Internal audit**

The municipality has a shared internal audit function based at the Pixley district municipality. This is in compliance with the Municipal Finance Management 2003 (Act No. 56 of 2003).

### **7. Bankers**

The municipality's primary banker is the Standard Bank of South Africa Limited.

### **8. Auditors**

Auditor-General of South Africa will continue in office for the next financial period.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	12,991	68,775
Receivables from exchange transactions	4&5	13,988,498	2,508,884
Receivables from non-exchange transactions	5&6	13,103,439	613,679
VAT statutory receivable	7	8,526,728	4,631,699
Cash and cash equivalents	8	674,103	244,478
		<b>36,305,759</b>	<b>8,067,515</b>
<b>Non-Current Assets</b>			
Investment property	9	20,997,379	20,995,598
Property, plant and equipment	10	255,542,221	259,126,841
Intangible assets	11	19,929	32,667
		<b>276,559,529</b>	<b>280,155,106</b>
<b>Total Assets</b>		<b>312,865,288</b>	<b>288,222,621</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	12	2,048,653	1,356,085
Finance lease obligation	13	-	590,030
Payables from exchange transactions	14	153,586,431	126,421,548
Consumer deposits	15	746,018	709,769
Employee benefit obligation	16	376,000	258,000
Unspent conditional grants and receipts	17	432,156	1,114,550
Third party collections	19	390,151	1,493,287
Long service awards	20	417,000	171,000
Bank overdraft	8	52,971	-
		<b>158,049,380</b>	<b>132,114,269</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	12	1,656,696	1,515,903
Finance lease obligation	13	817,192	1,064,057
Employee benefit obligation	16	6,033,000	5,669,000
Provisions	18	16,223,431	15,804,992
Long service awards	20	1,314,000	1,486,000
		<b>26,044,319</b>	<b>25,539,952</b>
<b>Total Liabilities</b>		<b>184,093,699</b>	<b>157,654,221</b>
<b>Net Assets</b>		<b>128,771,589</b>	<b>132,083,748</b>
Accumulated surplus		128,771,589	132,083,748

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	18,355,666	19,456,550
Rental of facilities and equipment	22	413,358	429,314
Interest received - consumers	23	4,889,197	4,352,084
Commissions received	25	2,422,155	1,477,695
Other income	26	739,699	155,312
Interest received - investments	23	46,961	27,000
<b>Total revenue from exchange transactions</b>		<b>26,867,036</b>	<b>25,897,955</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	15,781,413	4,893,749
Licences or permits (non-exchange)	24	3,869,812	31,677
<b>Transfer revenue</b>			
Government grants and subsidies	28	46,804,795	48,541,128
Public contributions and donations	29	-	1,939,592
Fines, penalties and forfeits	30	23,700	477,500
Provincial Treasury Grant	31	-	1,910,409
<b>Total revenue from non-exchange transactions</b>		<b>66,479,720</b>	<b>57,794,055</b>
<b>Total revenue</b>		<b>93,346,756</b>	<b>83,692,010</b>
<b>Expenditure</b>			
Employee related costs	32	(33,827,732)	(34,277,963)
Remuneration of councillors	33	(4,408,825)	(3,054,573)
Administration	34	-	(24,698)
Depreciation and amortisation	35	(15,073,012)	(16,611,074)
Finance costs	36	(7,166,872)	(4,063,821)
Lease rentals on operating lease		(6,469)	(27,860)
Bad debt impairment movement	37	-	(21,557,844)
Auditor's remuneration	42	(3,431,873)	(3,393,039)
Bulk purchases	38	(15,201,817)	(13,336,100)
Professional and consulting fees		(8,238,110)	(7,594,985)
General expenses	39	(9,224,821)	(8,344,529)
<b>Total expenditure</b>		<b>(96,579,531)</b>	<b>(112,286,486)</b>
<b>Operating deficit</b>		<b>(3,232,775)</b>	<b>(28,594,476)</b>
Gain/ (loss) on disposal of assets and liabilities		(208,620)	(37,482)
Fair value adjustments	40	4,236	67,561
Actuarial gains/losses	16	125,000	(354,144)
		<b>(79,384)</b>	<b>(324,065)</b>
<b>Deficit for the year</b>		<b>(3,312,159)</b>	<b>(28,918,541)</b>



# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	166,056,537	166,056,537
<b>Balance at July 1, 2020</b>	<b>166,056,537</b>	<b>166,056,537</b>
Changes in net assets		
Deficit for the year	(28,918,541)	(28,918,541)
Total changes	(28,918,541)	(28,918,541)
Opening balance as previously reported	119,109,087	119,109,087
Adjustments		
Correction of errors	12,974,661	12,974,661
<b>Balance at July 1, 2021</b>	<b>132,083,748</b>	<b>132,083,748</b>
Changes in net assets		
Deficit for the year	(3,312,159)	(3,312,159)
Total changes	(3,312,159)	(3,312,159)
<b>Balance at June 30, 2022</b>	<b>128,771,589</b>	<b>128,771,589</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		15,034,676	14,859,215
Grants		45,852,349	50,066,409
Interest income		4,936,174	27,000
Other receipts		3,575,142	-
		<u>69,398,341</u>	<u>64,952,624</u>
<b>Payments</b>			
Employee costs		(38,355,477)	(36,398,196)
Suppliers		(11,624,231)	(13,204,740)
Finance costs		(5,399,392)	476,095
		<u>(55,379,100)</u>	<u>(49,126,841)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>14,019,241</u></b>	<b><u>15,825,783</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(12,594,709)	(12,142,441)
Proceeds from sale of property, plant and equipment	10	(3,437)	13,869
<b>Net cash flows from investing activities</b>		<b><u>(12,598,146)</u></b>	<b><u>(12,128,572)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		-	(210,236)
Finance payments		(1,044,440)	(1,503,729)
<b>Net cash flows from financing activities</b>		<b><u>(1,044,440)</u></b>	<b><u>(1,713,996)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>376,655</b>	<b>2,517,467</b>
Cash and cash equivalents at the beginning of the year		244,478	(2,749,084)
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>621,133</u></b>	<b><u>(231,617)</u></b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 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 by source</b>						
Service charges	29,620,764	-	<b>29,620,764</b>	18,355,666	<b>(11,265,098)</b>	
Rental of facilities and equipment	596,500	-	<b>596,500</b>	413,358	<b>(183,142)</b>	
Interest received - outstanding debtors	1,519,994	-	<b>1,519,994</b>	4,889,197	<b>3,369,203</b>	
Licences and permits	307,796	-	<b>307,796</b>	-	<b>(307,796)</b>	
Agency services	1,225,544	-	<b>1,225,544</b>	2,422,155	<b>1,196,611</b>	
Other revenue	6,045,579	-	<b>6,045,579</b>	739,699	<b>(5,305,880)</b>	
Interest received - investment	2,446,600	(2,000,000)	<b>446,600</b>	46,961	<b>(399,639)</b>	
Gains	3,550,007	-	<b>3,550,007</b>	-	<b>(3,550,007)</b>	
<b>Total revenue from exchange transactions</b>	<b>45,312,784</b>	<b>(2,000,000)</b>	<b>43,312,784</b>	<b>26,867,036</b>	<b>(16,445,748)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	12,135,800	-	<b>12,135,800</b>	15,781,413	<b>3,645,613</b>	
Licences or Permits (Non-exchange)	-	-	-	3,869,812	<b>3,869,812</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	49,681,901	(2,499,900)	<b>47,182,001</b>	46,804,795	<b>(377,206)</b>	..
Fines, Penalties and Forfeits	314,689	-	<b>314,689</b>	23,700	<b>(290,989)</b>	.
<b>Total revenue from non-exchange transactions</b>	<b>62,132,390</b>	<b>(2,499,900)</b>	<b>59,632,490</b>	<b>66,479,720</b>	<b>6,847,230</b>	
<b>Total revenue</b>	<b>107,445,174</b>	<b>(4,499,900)</b>	<b>102,945,274</b>	<b>93,346,756</b>	<b>(9,598,518)</b>	
<b>Expenditure by type</b>						
Employee costs	(35,985,495)	-	<b>(35,985,495)</b>	(33,827,732)	<b>2,157,763</b>	
Remuneration of councillors	(4,045,809)	-	<b>(4,045,809)</b>	(4,408,825)	<b>(363,016)</b>	
Debt impairment	(550,943)	-	<b>(550,943)</b>	-	<b>550,943</b>	
Depreciation & asset impairment	(9,670,455)	-	<b>(9,670,455)</b>	(15,073,012)	<b>(5,402,557)</b>	
Finance charges	(1,976,252)	-	<b>(1,976,252)</b>	(7,166,872)	<b>(5,190,620)</b>	
Lease rentals on operating lease	-	-	-	(6,469)	<b>(6,469)</b>	
Debt Impairment	-	-	-	(4,845,539)	<b>(4,845,539)</b>	
Collection costs	-	-	-	(3,431,873)	<b>(3,431,873)</b>	
Other materials	-	-	-	62,226	<b>62,226</b>	
Bulk purchases	(11,081,511)	-	<b>(11,081,511)</b>	(15,235,423)	<b>(4,153,912)</b>	
Contracted Services	(4,432,500)	-	<b>(4,432,500)</b>	(8,238,110)	<b>(3,805,610)</b>	
Transfers and Subsidies	(10,910)	-	<b>(10,910)</b>	-	<b>10,910</b>	
Inventory consumed	(2,565,474)	(851,006)	<b>(3,416,480)</b>	-	<b>3,416,480</b>	
Other expenditure	(12,907,244)	(423,000)	<b>(13,330,244)</b>	(9,199,921)	<b>4,130,323</b>	
<b>Total expenditure</b>	<b>(83,226,593)</b>	<b>(1,274,006)</b>	<b>(84,500,599)</b>	<b>(101,371,550)</b>	<b>(16,870,951)</b>	
<b>Operating deficit</b>	<b>24,218,581</b>	<b>(5,773,906)</b>	<b>18,444,675</b>	<b>(8,024,794)</b>	<b>(26,469,469)</b>	
Loss on disposal of assets and liabilities	-	-	-	(208,620)	<b>(208,620)</b>	
Fair value adjustments	-	-	-	4,236	<b>4,236</b>	

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 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						
Actuarial gains/losses	-	-	-	125,000	<b>125,000</b>	
	-	-	-	<b>(79,384)</b>	<b>(79,384)</b>	
<b>Surplus / (Deficit) for the year</b>	<b>24,218,581</b>	<b>(5,773,906)</b>	<b>18,444,675</b>	<b>(8,104,178)</b>	<b>(26,548,853)</b>	

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 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	2,300	-	<b>2,300</b>	12,991	<b>10,691</b>	
Receivables from exchange transactions	-	-	-	13,163,748	<b>13,163,748</b>	
Receivables from non-exchange transactions	11,426,338	-	<b>11,426,338</b>	13,103,439	<b>1,677,101</b>	
VAT receivable	-	-	-	8,526,728	<b>8,526,728</b>	
Other debtors	3,754,022	-	<b>3,754,022</b>	-	<b>(3,754,022)</b>	
Cash and cash equivalents	4,029,012	1,473,614	<b>5,502,626</b>	674,103	<b>(4,828,523)</b>	
	<b>19,211,672</b>	<b>1,473,614</b>	<b>20,685,286</b>	<b>35,481,009</b>	<b>14,795,723</b>	
<b>Non-Current Assets</b>						
Investment property	21,000,000	-	<b>21,000,000</b>	20,997,379	<b>(2,621)</b>	
Property, plant and equipment	273,697,102	(2,500,000)	<b>271,197,102</b>	255,542,221	<b>(15,654,881)</b>	
Intangible assets	233,071	-	<b>233,071</b>	19,929	<b>(213,142)</b>	
Investments	68,554	-	<b>68,554</b>	-	<b>(68,554)</b>	
	<b>294,998,727</b>	<b>(2,500,000)</b>	<b>292,498,727</b>	<b>276,559,529</b>	<b>(15,939,198)</b>	
<b>Total Assets</b>	<b>314,210,399</b>	<b>(1,026,386)</b>	<b>313,184,013</b>	<b>312,040,538</b>	<b>(1,143,475)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	1,585,019	-	<b>1,585,019</b>	2,048,653	<b>463,634</b>	
Payables from exchange transactions	119,529,747	-	<b>119,529,747</b>	153,586,425	<b>34,056,678</b>	
Consumer deposits	-	-	-	746,018	<b>746,018</b>	
Employee benefit obligation	-	-	-	376,000	<b>376,000</b>	
Unspent conditional grants and receipts	-	-	-	432,156	<b>432,156</b>	
Provisions	37,383,607	-	<b>37,383,607</b>	-	<b>(37,383,607)</b>	
Third party collections	-	-	-	390,151	<b>390,151</b>	
Long service awards	-	-	-	417,000	<b>417,000</b>	
Bank overdraft	-	-	-	52,971	<b>52,971</b>	
	<b>158,498,373</b>	-	<b>158,498,373</b>	<b>158,049,374</b>	<b>(448,999)</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	3,810,672	-	<b>3,810,672</b>	1,656,696	<b>(2,153,976)</b>	
Employee benefit obligation	-	-	-	6,033,000	<b>6,033,000</b>	
Provisions	9,022,389	-	<b>9,022,389</b>	16,223,431	<b>7,201,042</b>	
Long service awards	-	-	-	1,314,000	<b>1,314,000</b>	
	<b>12,833,061</b>	-	<b>12,833,061</b>	<b>26,044,319</b>	<b>13,211,258</b>	
<b>Total Liabilities</b>	<b>171,331,434</b>	-	<b>171,331,434</b>	<b>184,093,693</b>	<b>12,762,259</b>	

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 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	142,878,965	-	<b>142,878,965</b>	128,771,591	<b>(14,107,374)</b>	

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 51 Changes in accounting policy.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest Rand.

#### 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 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 calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

##### Provisions

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

##### Useful lives of 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. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

##### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Cash and cash equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

### 1.4 Investment property

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

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

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

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

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

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

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

#### 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.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.



# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.4 Investment property (continued)

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

### 1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if,

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

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

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

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.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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

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

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

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

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

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Item	Depreciation method	Average useful life - Years
Land		
• Land	Not Applicable	
Buildings	Straight line	
• Improvements		10 - 30
Infrastructure		
• Roads and Paving	Straight line	5 - 80
• Electricity	Straight line	5 - 50
• Water and sanitation	Straight line	10 - 100
• Sewerage/ Solid waste	Straight line	10 - 60
• Water	Straight line	10 - 100
Community		
• Community Facilities	Straight line	30
• Recreational facilities	Straight line	15 - 30
Other		
• Computer Equipment	Straight line	5 - 10
• Emergency Equipment	Straight line	10
• Furniture and Fittings	Straight line	5 - 15
• Motor Vehicles	Straight line	7 - 15
• Office Equipment	Straight line	5 - 15
• Plant and Equipment	Straight line	5 - 15

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.

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.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.5 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.

### 1.6 Site restoration and dismantling cost (Landfill sites)

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.

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.7 Intangible assets (continued)

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years

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

Intangible assets are derecognised:

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

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

### 1.8 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

### 1.9 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.

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.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the 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.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from 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:

<b>Class</b>	<b>Category</b>
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

#### 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.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an 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.

#### Reclassification

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

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

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

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

#### Gains and losses

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

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

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

#### 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.

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.

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.

### 1.10 Unspent conditional grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Where not all conditions relating to the conditional grant has been met, a portion of the grant is treated as unspent. In this case, the unspent portion is treated as deferred income.

### 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.



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### 1.11 Statutory receivables (continued)

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Other charges

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

#### Impairment losses

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

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

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

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### 1.11 Statutory receivables (continued)

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 are recognised in surplus or deficit.

In estimating the future cash flows, a 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 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 municipality assesses the classification of each element separately.

#### Finance leases - lessee

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

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

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

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

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### 1.12 Leases (continued)

#### 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.

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.

### 1.13 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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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### 1.13 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.

### Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

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

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

### 1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.15 Impairment of cash-generating assets

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

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

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

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

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### 1.15 Impairment of cash-generating assets (continued)

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

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

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

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

Useful life is either:

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

### 1.16 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

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

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

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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### 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 deficits.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

### 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, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly 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; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

### 1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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### 1.18 Commitments (continued)

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

- Contracts should be non-cancelable or only cancelable 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 operational commitments are excluded.

### 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.

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

# Thembelihle Local Municipality

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### 1.19 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

### 1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

#### Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.21 Borrowing costs

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

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

### 1.22 Comparative figures

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



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### 1.23 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.

### 1.24 Fruitless and wasteful expenditure

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

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

### 1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA 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 MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year 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.

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### 1.26 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2021 to 6/30/2022.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

### 1.28 Related parties

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

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

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

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

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

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### 1.28 Related parties (continued)

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

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

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

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.

### 1.29 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

### 1.30 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## 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 adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- |   |               |  |
|---|---------------|--|
| • IGRAP 20: Accounting for Adjustments to Revenue | 01 April 2020 | Unlikely there will be a material impact                               |
| • GRAP 18: Segment Reporting                      | 01 April 2020 | Not expected to impact results but may result in additional disclosure |

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2022 or later periods:

- |  |                  |  |
|--|------------------|--|
| • Guideline on Accounting for Landfill Sites             | To be determined | Unlikely there will be a material impact |
| • The Application of Materiality to Financial Statements | To be determined | Unlikely there will be a material impact |

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>3. Inventories</b>		
Consumable stores	11,254	66,789
Water	1,737	1,986
	<b>12,991</b>	<b>68,775</b>
Carrying value of inventories carried at fair value less costs to sell	12,955	68,775
Inventories recognised as an expense during the year	-	685,622
The cost of water production for the year amounted to R23.14 (2021: R23.14) per kilolitre.		
<b>Inventory pledged as security</b>		
No inventory was pledged as security during the current financial period.		
<b>4. Receivables from exchange transactions</b>		
Sundry debtors	20,568	-
Consumer debtors - Electricity	2,054,882	1,587,370
Consumer debtors - Water	5,160,822	313,504
Consumer debtors - Sewerage	3,809,778	222,371
Consumer debtors - Refuse	2,342,956	140,807
Consumer debtors - Arrears	298,289	224,314
Consumer debtors - Rentals	301,431	20,745
Consumer debtors - Other	(228)	(227)
	<b>13,988,498</b>	<b>2,508,884</b>
<b>5. Consumer debtors</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	22,646,432	10,113,223
Consumer debtors - Electricity	9,763,389	9,295,877
Consumer debtors - Water	29,772,353	24,925,035
Consumer debtors - Sewerage	22,089,876	18,502,469
Consumer debtors - Refuse	12,929,206	10,727,057
Consumer debtors - Arrears	5,367,351	5,293,376
Consumer debtors - Rentals	2,131,666	1,850,980
	<b>104,700,273</b>	<b>80,708,017</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(9,711,477)	(9,711,477)
Consumer debtors - Electricity	(7,708,507)	(7,708,507)
Consumer debtors - Water	(24,611,531)	(24,611,531)
Consumer debtors - Sewerage	(18,280,098)	(18,280,098)
Consumer debtors - Refuse	(10,586,250)	(10,586,250)
Consumer debtors - Arrears	(5,069,062)	(5,069,062)
Consumer debtors - Rentals	(1,830,235)	(1,830,235)
Consumer debtors - Other	(228)	(227)
	<b>(77,797,388)</b>	<b>(77,797,387)</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors (continued)</b>		
<b>Net balance</b>		
Consumer debtors - Rates	12,934,955	401,746
Consumer debtors - Electricity	2,054,882	1,587,370
Consumer debtors - Water	5,160,822	313,504
Consumer debtors - Sewerage	3,809,778	222,371
Consumer debtors - Refuse	2,342,956	140,807
Consumer debtors - Arrears	298,289	224,314
Consumer debtors - Rentals	301,431	20,745
Consumer debtors - Other	(228)	(227)
	<b>26,902,885</b>	<b>2,910,630</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	2,087,547	1,587,370
Water	4,787,656	313,504
Sewerage	3,549,664	222,371
Refuse	2,169,756	140,807
Arrears	298,289	224,314
Rentals	250,496	20,745
Other	(228)	(227)
	<b>13,143,180</b>	<b>2,508,884</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Property rates	21,635,391	10,113,223
Provision for impairment	(9,711,477)	(9,711,477)
	<b>11,923,914</b>	<b>401,746</b>
	<b>25,067,094</b>	<b>2,910,630</b>
<b>Net balance</b>		
<b>Rates</b>		
Current (0 -30 days)	1,589,087	171,007
31 - 60 days	1,089,841	44,931
61 - 90 days	1,077,659	32,367
91 - 120 days	1,060,883	28,047
121 - 365 days	7,924,881	125,394
	<b>12,742,351</b>	<b>401,746</b>
<b>Electricity</b>		
Current (0 -30 days)	700,943	684,940
31 - 60 days	160,493	160,493
61 - 90 days	110,375	110,375
91 - 120 days	69,581	69,581
121 - 365 days	985,983	561,981
	<b>2,027,375</b>	<b>1,587,370</b>
<b>Water</b>		
Current (0 -30 days)	90,017	91,031
31 - 60 days	29,365	29,365
61 - 90 days	25,491	25,491
91 - 120 days	19,420	19,420
121 - 365 days	4,964,811	148,197
	<b>5,129,104</b>	<b>313,504</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	63,980	63,509
31 - 60 days	19,389	19,389
61 - 90 days	13,348	13,348
91 - 120 days	12,236	12,236
121 - 365 days	3,624,807	113,889
	<b>3,733,760</b>	<b>222,371</b>
<b>Refuse</b>		
Current (0 -30 days)	38,188	37,998
31 - 60 days	12,115	12,115
61 - 90 days	8,786	8,786
91 - 120 days	8,096	8,096
121 - 365 days	2,231,729	73,812
	<b>2,298,914</b>	<b>140,807</b>
<b>Business service levies</b>		
Current (0 -30 days)	4,728	4,728
31 - 60 days	4,639	4,639
61 - 90 days	2,485	2,485
91 - 120 days	2,534	2,534
121 - 365 days	283,903	209,928
	<b>298,289</b>	<b>224,314</b>
<b>Regional services levies</b>		
Current (0 -30 days)	2,382	4,870
31 - 60 days	2,377	2,377
61 - 90 days	2,377	2,377
91 - 120 days	1,960	1,960
121 - 365 days	294,703	9,161
	<b>303,799</b>	<b>20,745</b>
<b>Housing rental</b>		
Current (0 -30 days)	4,870	4,870
31 - 60 days	2,377	2,377
61 - 90 days	2,377	2,377
91 - 120 days	1,960	1,960
121 - 365 days	(11,812)	(11,811)
	<b>(228)</b>	<b>(227)</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors (continued)</b>		
<b>Consumers</b>		
Current (0 -30 days)	1,483,469	1,483,469
31 - 60 days	1,108,816	1,108,816
61 - 90 days	1,139,761	1,139,761
91 - 120 days	1,162,106	1,162,106
121 - 365 days	56,005,199	56,005,199
	<u>60,899,351</u>	<u>60,899,351</u>
Less: Allowance for impairment	-	(59,397,042)
	<b><u>60,899,351</u></b>	<b><u>1,502,309</u></b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	494,691	494,691
31 - 60 days	310,665	310,665
61 - 90 days	275,810	275,810
91 - 120 days	231,073	231,073
121 - 365 days	6,919,449	6,919,449
	<u>8,231,688</u>	<u>8,231,688</u>
Less: Allowance for impairment	-	(7,273,618)
	<b><u>8,231,688</u></b>	<b><u>958,070</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	284,783	284,783
31 - 60 days	231,318	231,318
61 - 90 days	249,988	249,988
91 - 120 days	270,438	270,438
121 - 365 days	10,419,147	10,419,147
	<u>11,455,674</u>	<u>11,455,674</u>
Less: Allowance for impairment	-	(11,243,951)
	<b><u>11,455,674</u></b>	<b><u>211,723</u></b>



# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors (continued)</b>		
<b>Total debtor past due but not impaired</b>		
31 - 60 days	273,309	273,309
61 - 90 days	195,229	195,229
91 - 120 days	141,874	141,874
121 - 365 days	105,429	105,429
> 365 days	1,135,614	1,135,614
	<b>1,851,455</b>	<b>1,851,455</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(77,914,611)	(59,538,677)
Contributions to allowance	-	(18,375,934)
	<b>(77,914,611)</b>	<b>(77,914,611)</b>
<b>6. Receivables from non-exchange transactions</b>		
Fines	168,484	211,933
Consumer debtors - Rates	12,934,955	401,746
	<b>13,103,439</b>	<b>613,679</b>
<b>Statutory receivables from non-exchange transactions written off</b>		
<p>An instruction was issued by the National Prosecuting Authority (NPA) that all traffic fines be cancelled after 18 months. If a summons was issued on the fine, the lifespan of the summons is 2 years. The municipality is not aware of a summons issued on outstanding fines. It is therefore safe to say that all fines older than 2 years be written off. Council approved the write off of all fines older than 2 years. A detailed listing of all fines issued is that were in existence during the 2018/2019 and the 2019/2020 financial years is available for inspection.</p> <p>The impairment movement for traffic fines is made up as follows:</p>		
Balance at beginning of the year	565,381	2,844,817
Contributions to allowance	-	(2,844,817)
Debt impairment written off against allowance	-	565,381
<b>Net balance</b>	<b>565,381</b>	<b>565,381</b>
<p>Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008.</p> <p>Interest is not charged on outstanding traffic fines.</p> <p>In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.</p>		
Rand	167,884	211,933

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 6. Receivables from non-exchange transactions (continued)

**Analysis of statutory receivables from non-exchange transactions that were impaired at the reporting date - property rates:**

Balance at beginning of the year	401,746	10,113,223
Contributions to allowance	-	(9,711,477)
<b>Net balance</b>	<b>401,746</b>	<b>401,746</b>
Balance at beginning of the year	9,711,477	7,357,247
Contributions to allowance	-	2,354,230
<b>Net balance</b>	<b>9,711,477</b>	<b>9,711,477</b>

Property rates are levied in accordance with section 2 of the Local Government: Municipal Property Rates, 2004 (Act No. 6 of 2004).

All properties that are within the jurisdiction of the municipality are required to be charged a property rates levy. The value of all properties are recorded in the municipal valuation roll. The municipality calculates the property rates levy by using the value of the property as well as the relevant tariff obtained from the council approved property rates policy. The tariff used in the calculation is based on the nature of the property (residential, commercial, state, small holdings and farms).

Property rates are charged to the owner of the property on a monthly basis.

At the end of the reporting period the municipality assesses the collectability of outstanding debts owing from customers in respect of property rates. The assessment includes a trend analysis per customer account in order to estimate the recoverability of the outstanding debt at the financial year end. The uncollectable portion is considered to be impaired and is included in an allowance for impairment account.

The effects of discounting estimated future cash flows are considered immaterial as property rates are short term receivables and the initial credit period granted is consistent with terms used in the public sector

Analysis of statutory receivables from non-exchange transactions that were not impaired at the reporting date:

Property rates	12,742,351	401,746
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### 7. VAT statutory receivable

Analysis of statutory receivables from exchange transactions that were not impaired at the reporting date - VAT receivable:

VAT	8,526,728	4,631,699
-----	-----------	-----------

The municipality reports to SARS on the cashflow basis and accounts for VAT on the accrual basis as required by GRAP. Therefore deferred VAT balances are as follow:

VAT payable to SARS	453,690	(4,568)
Deferred VAT claimable	8,073,038	4,636,267
	<b>8,526,728</b>	<b>4,631,699</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 7. VAT statutory receivable (continued)

- The municipality accounts for VAT according to the accrual basis as required by the Standards of Generally Recognised Accounting Practice. A VAT receivable was recognized in terms of section 16 of the Value-Added Tax, 1991 (Act No.89 of 1991).
- The municipality charges an output VAT for services rendered for the year. An input VAT is allowed to be claimed for all payments made by the municipality in acquiring goods/services in order to render the services. The difference between the total output VAT and the total input VAT resulted in an amount owing to the municipality by the South African Revenue Services. The VAT receivable was a refund that was owing to the municipality at year end.
- The receivable was not considered for impairment as there was no risk associated with non-receipt of money from the South African Revenue Services.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	12,550	12,570
Bank balances	-	266,488
Short-term deposits	661,553	(34,580)
Bank overdraft	(52,971)	-
	<b>621,132</b>	<b>244,478</b>
Current assets	674,103	244,478
Current liabilities	(52,971)	-
	<b>621,132</b>	<b>244,478</b>

The carrying value of these assets approximate their fair value. No securities are being held over these assets.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
Standard Bank - Account number: 041-879-171	91,431	241,292	271,612	(155,733)	224,175	(2,310,325)
Standard Bank - Account number: 063-362-309	1,382	3,999	320	1,382	3,999	320
Standard Bank- Account number: -048-871-362	368,938	-	1,005	368,938	-	-
Standard Bank- Account number: 048-873-772-001	1,000	1,000	1,591	(2,617)	1,000	30,527
Standard Bank- Account number: 048-871-524-001	91,243	1,009	1,004	91,243	1,009	-
Standard Bank- Account number: 048-871-672-001	74,569	1,725	2,012	74,568	1,725	-
Standard Bank- Account number: 048-871-311-001	1,372	-	1,352	1,372	-	-
<b>Total</b>	<b>629,935</b>	<b>249,025</b>	<b>278,896</b>	<b>379,153</b>	<b>231,908</b>	<b>(2,279,478)</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20,997,379	-	20,997,379	20,995,598	-	20,995,598

#### Reconciliation of investment property - 2022

	Opening balance	Derecognition cost	Fair value adjustments	Total
Investment property	20,995,598	(2,454)	4,235	20,997,379

#### Reconciliation of investment property - 2021

	Opening balance	Derecognition cost	Fair value adjustments	Total
Investment property	20,941,906	(13,279)	66,971	20,995,598

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

#### Details of valuation

The effective date of the valuation was 30 June 2021. The fair value adjustments of the investment properties being improved and unimproved land was determined based on the trend of the general market growth rate figure as indicated through the FNB house price indices for June 2021, being a rate of 3.7%, this rate was adjusted to 0.32%, considering the registered market transactions and slow growth and decline in the demand for these properties. This was supported by sale prices which were based on data sourced from the Lightstone toolkit through transactions registered in the Registrar of Deeds. This was supported by sale prices which were based on data sourced from transactions registered in the Registrar of Deeds.

The fair value of investment property was provided by Zach van der Merwe, registered as a Professional Property Valuer under section 22 (2) of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000).

### 10. 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	1,647,844	-	1,647,844	1,647,844	-	1,647,844
Buildings	39,060,478	(30,119,610)	8,940,868	39,901,318	(29,474,312)	10,427,006
Plant and machinery	1,298,900	(1,104,367)	194,533	1,277,331	(1,015,863)	261,468
Furniture and fixtures	-	903	903	1,135,380	(891,655)	243,725
Motor vehicles	1,994,200	(687,920)	1,306,280	1,836,368	(575,796)	1,260,572
Office equipment	2,805,533	(2,138,144)	667,389	1,403,365	(944,038)	459,327
Finance lease assets	3,866,411	(2,986,732)	879,679	3,866,411	(2,412,458)	1,453,953
Infrastructure	394,664,144	(157,976,267)	236,687,877	382,741,250	(147,118,091)	235,623,159
Emergency equipment	305,684	(278,060)	27,624	305,684	(264,599)	41,085
Landfill site	14,127,901	(8,938,677)	5,189,224	14,850,337	(7,141,635)	7,708,702
<b>Total</b>	<b>459,771,095</b>	<b>(204,228,874)</b>	<b>255,542,221</b>	<b>448,965,288</b>	<b>(189,838,447)</b>	<b>259,126,841</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Wip under construction	Disposals	Change in provision	Depreciation	Impairment loss	Total
Land	1,647,844	-	-	-	-	-	-	1,647,844
Buildings	10,427,006	-	-	(138,889)	-	(1,251,106)	(96,143)	8,940,868
Plant and machinery	261,468	24,437	-	(876)	-	(87,397)	(3,100)	194,533
Furniture and fixtures	243,725	10,353	-	(3,928)	-	(55,868)	-	903
Motor vehicles	1,260,572	157,832	-	-	-	(110,230)	(1,894)	1,306,280
Office equipment	459,327	173,299	-	(20,094)	-	(142,935)	(279)	667,389
Finance lease assets	1,453,953	-	-	-	-	(574,274)	-	879,679
Infrastructure	235,623,159	335,073	11,893,715	(41,396)	-	(12,021,010)	(199,540)	235,590,001
Emergency equipment	41,085	-	-	-	-	(13,461)	-	27,624
Landfill site	7,708,702	-	-	-	(722,436)	(1,797,042)	-	5,189,224
	<b>259,126,841</b>	<b>700,994</b>	<b>11,893,715</b>	<b>(205,183)</b>	<b>(722,436)</b>	<b>(16,053,323)</b>	<b>(300,956)</b>	<b>254,444,345</b>

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

	Opening balance	Additions	WIP under construction	Disposals	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	1,647,844	-	-	-	-	-	-	-	1,647,844
Buildings	11,923,541	-	-	-	-	(1,486,136)	(10,399)	-	10,427,006
Plant and machinery	396,765	-	-	(102)	-	(135,195)	-	-	261,468
Furniture and fixtures	337,888	-	-	(1,070)	-	(93,144)	-	51	243,725
Motor vehicles	699,848	643,735	-	(16,302)	-	(66,709)	-	-	1,260,572
Office equipment	564,325	95,908	-	(7,815)	-	(193,765)	-	674	459,327
Finance lease assets	2,135,577	-	-	-	-	(681,624)	-	-	1,453,953
Infrastructure	231,351,266	2,102,307	14,146,864	-	-	(11,977,129)	(149)	-	235,623,159
Emergency equipment	62,980	-	-	-	-	(21,895)	-	-	41,085
Landfill site	10,180,398	-	-	-	(547,026)	(1,924,670)	-	-	7,708,702
	<b>259,300,432</b>	<b>2,841,950</b>	<b>14,146,864</b>	<b>(25,289)</b>	<b>(547,026)</b>	<b>(16,580,267)</b>	<b>(10,548)</b>	<b>725</b>	<b>259,126,841</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>10. Property, plant and equipment (continued)</b>		
<b>Assets subject to finance lease (Net carrying amount)</b>		
Finance lease assets	879,679	1,453,953
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Construction of new solid waste disposal site/11kVa The project has been long outstanding due to the license approval process from the department Agriculture, Environmental Affairs, Land Reform and Rural Development Northern Cape. The municipality cannot operate the landfill site without a license due to the possible fines that can be issued for operating an unlicensed landfill site.	4,854,887	4,854,877
Refurbishment of Kerk and Wiid Streets Project is funded through EPWP and are being done in phases.	492,685	492,685
	<b>5,347,572</b>	<b>5,347,562</b>
<b>Reconciliation of work-in-progress 2022</b>		
	Included within	Total
Opening balance	Infrastructure	
	53,592,972	53,592,972
Additions/capital expenditure	11,893,715	11,893,715
	<b>65,486,687</b>	<b>65,486,687</b>
<b>Reconciliation of work-in-progress 2021</b>		
	Included within	Total
Opening balance	Infrastructure	
	39,446,108	39,446,108
Additions/capital expenditure	11,402,209	11,402,209
Prior year correction	2,744,655	2,744,655
	<b>53,592,972</b>	<b>53,592,972</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
Employee related costs	625,038	539,008
Sale of goods/Inventory	-	153,988
General expenses	2,315	3,168
	<b>627,353</b>	<b>696,164</b>

A register containing the information required by section 63 of the Municipal Finance Management, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	448,689	(428,760)	19,929	609,816	(577,149)	32,667

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	32,667	(12,738)	19,929

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Derecognition	Amortisation	Total
Computer software	26,652	25,324	1,675	(20,984)	32,667

### 12. Other financial liabilities

#### At amortised cost

Development Bank of Southern Africa 3,705,349 2,871,988

The loan is repayable quarterly at R178 663 with an interest charge of 5% per annum.  
The loan will be fully repaid on 31 December 2024.

#### Defaults and breaches

Included in the closing balance are capital and arrears that amount to R689 315 and R474 478 respectively.

#### Non-current liabilities

At amortised cost 1,656,696 1,515,903

#### Current liabilities

At amortised cost 2,048,653 1,356,085

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	817,192	608,795
- in second to fifth year inclusive	-	1,180,863
	817,192	1,789,658
less: future finance charges	-	(135,571)
<b>Present value of minimum lease payments</b>	<b>817,192</b>	<b>1,654,087</b>
<b>Present value of minimum lease payments due</b>		
- within one year	817,192	590,030
- in second to fifth year inclusive	-	1,064,057
	817,192	1,654,087
Non-current liabilities	817,192	1,064,057
Current liabilities	-	590,030
	817,192	1,654,087

The average lease term was 5 years and the effective interest rate was 10% (2021: 10%).

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 10.

### 14. Payables from exchange transactions

Trade payables	139,838,724	116,841,646
Payments received in advanced	579,288	(230,546)
Accrued leave pay	2,786,854	2,786,854
Accrued bonus	656,903	656,903
Unallocated deposits received	206,148	206,148
Other payables	6,847,126	3,415,888
Retention fees	2,671,388	2,744,655
	<b>153,586,431</b>	<b>126,421,548</b>

### 15. Consumer deposits

Water and electricity	746,018	709,769
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# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 16. Employee benefit obligations

#### Defined benefit plan

The plan is a post-employment medical benefit plan.

#### Post retirement medical aid plan

The municipality operates a funded post-employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of LA Health, Hosmed, Bonitas and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members post-employment medical aid contributions. All subsidies are subject to a maximum of R6 409 000 for the year ending 30 June 2022. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the end of the financial period, the members of the medical aid entitled to the post-employment medical scheme subsidy were 31 in-service members, 48 in service non-members and 6 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2022 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

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

##### Carrying value

In-service(employees)members	2,340,000	2,632,000
Continuation(retiree and widow) members	3,474,000	2,794,000
In-service(employees) non-members	595,000	501,000
	<b>6,409,000</b>	<b>5,927,000</b>
Non-current liabilities	6,033,000	5,669,000
Current liabilities	376,000	258,000
	<b>6,409,000</b>	<b>5,927,000</b>

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25

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

Opening balance	5,927,000	4,903,000
Benefits paid	(258,000)	(24,425)
Actuarial (gains)/losses	(62,000)	382,425
Net expense recognised in the statement of financial performance	802,000	666,000
	<b>6,409,000</b>	<b>5,927,000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	227,000	185,000
Interest cost	575,000	481,000
	<b>802,000</b>	<b>666,000</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(62,000)	382,425
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# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 16. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.77 %	9.91 %
Medical cost trend rates	3.11 %	2.96 %
Expected increase in healthcare costs	8.40 %	6.75 %
Future changes in maximum state healthcare benefits	5.93 %	4.69 %

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Decrement assumptions: Mortality [Active members: SA(85-90), Pensioners: PA(90)]

Average retirement age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of membership: It has been assumed that 75% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

Family profile: It has been assumed that husbands will be five years older than their wives. Further, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pension Funds Act, 1956 (Act No. 56 of 1956) and some are multi-employer exist for this purpose.

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

Included in defined contribution plan information above, are plans which are multi-employer funds and are defined benefit plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for these plans as a defined contribution plans.

### 17. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	(119,269)	1,112,337
Library Grant	(19,537)	-
Expanded Public Works Programme (EPWP)	280,041	-
Finance Management Grant (FMG)	1	-
Municipal Systems Infrastructure Grant (MSIG)	2,175	2,175
Integrated National Electricity Programme (INEP)	38	38
Water Sanitation Infrastructure Grant	236,307	-
SETA Grant	52,400	-
	<b>432,156</b>	<b>1,114,550</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.

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

See note 28 for reconciliation of grants from National/Provincial Government.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 18. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	15,804,992	418,439	16,223,431

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	16,871,959	435,218	(1,502,185)	15,804,992

### 19. Third party collections

The liability is due to collections on behalf of the Northern Cape Department of Transport, Safety and Liaison on which the municipality earns a 12% commission. During previous financial periods the balances, 88% of the collections were not paid over to the Northern Cape Department of Transport, Safety and Liaison. The balance payable to the Northern Cape Department of Transport, Safety and Liaison is:

Due to non-payment	390,515	1,493,287
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The service level agreement for the collections on behalf of the Northern Cape Department of Transport, Safety and Liaison came to an end 30 June 2018 when the service was moved to the Post Office. It is only the Strydenburg office 88% that are paid over monthly.

### 20. Long service awards

The municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Opening balance	1,657,000	1,493,000
Current service cost	164,000	157,000
Interest cost	144,000	105,000
Actuarial (gain)/loss	(63,000)	64,000
Employee benefit vesting	(171,000)	(162,000)
	<b>1,731,000</b>	<b>1,657,000</b>
Current portion	294,000	171,000
Non-current portion	1,437,000	1,486,000
	<b>1,731,000</b>	<b>1,657,000</b>

#### Key financial assumptions:

Discount rate	9.13%	9.13%
General salary inflation	5.77%	5.77%
Net effective discount rate	3.18%	3.18%

The discount rate used is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 3.69%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

Salary inflation rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely general salary inflation and promotional salary escalation. The latter is considered under demographic assumptions.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 20. Long service awards (continued)

General salary inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 4.77% was obtained from the differential between market yields on index-linked bonds (3.69%) consistent with the estimated terms of the liabilities and those of nominal bonds (9.13%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+9.13\%-0.50\%)/(1+3.69\%))-1$ .

Thus, a general salary inflation rate of 5.77% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.18%. It has been assumed that the next salary increase will take place on 1 July 2022.

Key demographic assumptions:

Average retirement age: 62 years

Mortality during employment: SA 85-90

Withdrawal from service (sample annual rates)

Pre-retirement mortality: SA85-90 ultimate table, adjusted down for female lives.

Average retirement age: The normal retirement age is 65. It has been assumed that employees will retire at age 62 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Withdrawal from service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Sample withdrawal rates

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>20. Long service awards (continued)</b>		
<b>21. Service charges</b>		
Sale of electricity	10,524,913	11,161,451
Sale of water	3,510,173	4,132,275
Sewerage and sanitation charges	2,832,922	2,776,529
Refuse removal	1,645,145	1,639,652
Discounts on early settlements - all service chargers	(157,487)	(253,357)
	<b>18,355,666</b>	<b>19,456,550</b>
<b>Sale of electricity</b>		
Service charges	11,125,893	11,593,485
Less: Revenue forgone	(598,612)	(432,034)
	<b>10,527,281</b>	<b>11,161,451</b>
<b>Sale of water</b>		
Service charges	4,392,119	4,578,587
Less: Revenue forgone	(881,946)	(446,312)
	<b>3,510,173</b>	<b>4,132,275</b>
<b>Sewerage and sanitation</b>		
Service charges	3,610,320	3,570,428
Less: Revenue forgone	(777,328)	(793,899)
	<b>2,832,992</b>	<b>2,776,529</b>
<b>Refuse removal</b>		
Service charges	1,756,355	2,093,536
Less: Revenue forgone	(111,210)	(453,884)
	<b>1,645,145</b>	<b>1,639,652</b>
<b>22. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	404,649	423,522
Venue hire	8,709	5,792
	<b>413,358</b>	<b>429,314</b>
<b>23. Interest received</b>		
<b>Interest revenue</b>		
Bank	46,961	27,000
Receivables from exchange transactions	4,889,213	4,352,084
	<b>4,936,174</b>	<b>4,379,084</b>
<b>24. Licences and permits</b>		
Licences or permits (non-exchange)	3,915,469	31,677

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Commissions received</b>		
Motor registrations	135,350	131,254
Third party deductions	2,286,805	1,346,441
	<b>2,422,155</b>	<b>1,477,695</b>

### 26. Other income

Advertising	-	5,444
Building plans	630,178	36,564
Garden and sale of gravel	8,416	17,175
Grave plots	14,684	14,990
Application fees for Land usage	74	-
Photocopies and faxes	1,153	334
Sundry repayments	5,187	3,591
Tender fees	47,957	52,392
Valuation certificates issued	32,050	24,822
	<b>739,699</b>	<b>155,312</b>

### 27. Property rates

#### Rates received

Property rates	16,178,586	5,085,999
Less: Income forgone	(397,173)	(192,250)
	<b>15,781,413</b>	<b>4,893,749</b>

Property rates are levied on the value of land and improvements, which valuation is performed every four years. The current general valuation roll of the municipality is valid until 30 June 2026.

Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

#### Valuations

Residential	357,680,000	329,094,100
Commercial	80,170,000	8,721,200
State	102,342,000	14,417,000
Small holdings and farms	3,257,108,000	2,900,164,900
	<b>3,797,300,000</b>	<b>3,252,397,200</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2021.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022 2021

### 28. Government grants and subsidies

#### Operating grants

Equitable share	28,135,000	27,102,000
Finance Management Grant (FMG)	2,999,999	3,001,237
Expanded Public Works Programme (EPWP)	794,960	1,000,000
Library Grant	769,537	600,000
Disaster Relief Grant (COVID-19)	-	3,592,000
	<b>32,699,496</b>	<b>35,295,237</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	7,341,606	13,245,891
Water Sanitation Infrastructure Grant (WSIG)	6,763,693	-
	<b>14,105,299</b>	<b>13,245,891</b>
	<b>46,804,795</b>	<b>48,541,128</b>

#### Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	17,705,748	23,349,537
Unconditional grants received	28,135,000	27,102,000
	<b>45,840,748</b>	<b>50,451,537</b>

#### Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as a local municipality.

All registered indigents receive a monthly subsidy of R 140 (2021: R 140), which is funded from the grant.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1,112,337	1,496,228
Current-year receipts	7,222,000	13,860,000
Conditions met - transferred to revenue	(7,341,606)	(13,245,891)
Roll over not approved- deducted from current equitable share	(1,112,000)	(998,000)
	<b>(119,269)</b>	<b>1,112,337</b>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast lights, sewer and water purification infrastructure as part of the upgrading of previously disadvantaged areas.

All current year allocations were fully spent during the year and allocated to revenue under votes.

#### Library Grant

Current-year receipts	750,000	600,000
Conditions met - transferred to revenue	(769,537)	(600,000)
	<b>(19,537)</b>	<b>-</b>

Conditions still to be met - remaining liabilities (see note 17).

The grant was as part of a contribution towards the running of libraries i.e to cover operational costs.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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Figures in Rand	2022	2021
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### 28. Government grants and subsidies (continued)

#### Expanded Public Works Programme (EPWP)

Current-year receipts	1,075,000	1,000,000
Conditions met - transferred to revenue	(794,959)	(1,000,000)
	<u>280,041</u>	<u>-</u>

Conditions still to be met - remaining liabilities (see note 17).

The grant was received for the purpose of creating job opportunities.

#### Finance Management Grant (FMG)

Balance unspent at beginning of year	-	1,237
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(2,999,999)	(3,001,237)
	<u>1</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

#### Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	<u>2,175</u>	<u>2,175</u>
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Conditions still to be met - remaining liabilities (see note 17).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.



# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Government grants and subsidies (continued)</b>		
<b>Integrated National Electricity Programme (INEP)</b>		
Balance unspent at beginning of year	38	38
Conditions still to be met - remaining liabilities (see note 17).		
The grants was paid to the municipality to promote rural development and upgrade the electricity infrastructure.		
<b>Water Sanitation Infrastructure Grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	7,000,000	-
Conditions met - transferred to revenue	(6,763,693)	-
	<b>236,307</b>	-
<b>Disaster Relief Grant (COVID-19)</b>		
Current-year receipts	-	3,592,000
Conditions met - transferred to revenue	-	(3,592,000)
	-	-
<b>29. Public contributions and donations</b>		
Property, plant and equipment	-	1,939,592
Donations are represented by an internal road that was paved by the Nohern Cape Department of Roads and Public Works in terms of the Root-out-of-the-dust programme. The completion date was 31 March 2021.		
<b>30. Fines, penalties and forfeits</b>		
Traffic fines	23,100	477,500
<b>31. Provincial Treasury Grant</b>		
<b>Reconciliation of conditional contributions</b>		
Current-year receipts	-	1,910,409
Conditions met - transferred to revenue	-	(1,910,409)
	-	-

According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor-General equal to 1% of their total expenditure per annum. The balance of the audit fees are payable by Treasury.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Employee related costs</b>		
Basic	21,223,441	19,852,702
Medical aid - company contributions	1,112,308	1,034,932
UIF	191,076	208,704
SDL	192,904	367,477
Leave pay provision charge	437,882	1,244,920
Defined contribution plans	158,287	928,000
Overtime payments	1,455,929	1,402,022
Long-service awards	44,490	58,708
13th Cheques	1,404,229	1,665,268
Car allowance	969,409	288,735
Housing benefits and allowances	27,098	46,938
Telephone allowances	514,250	158,700
Pension fund contributions	3,138,097	2,971,071
Stipends	104,037	191,023
Senior management remuneration	2,854,295	3,858,763
	<b>33,827,732</b>	<b>34,277,963</b>

### Remuneration of Municipal Manager: Jack, MR

Annual Remuneration	-	929,689
Car Allowance	-	157,454
Cellphone allowance	-	40,950
Remote allowance	-	43,486
Leave payout	-	78,094
Contributions to UIF, medical and pension funds	-	1,898
	-	<b>1,251,571</b>

The position of Municipal Manager was vacant for the period 1 July 2021 until 31 July 2022. An acting allowance was paid during this period to Mr. JR Shuping and Mr S. Marufu.

Mr JR Shuping was the acting Municipal Manager for the period 1 July 2021 until 31 May 2022.

Mr. S. Marufu was the acting Municipal Manager for the period 1 June 2022 until 31 July 2022.

### Remuneration of Chief Finance Officer: Shuping, JR

Annual Remuneration	637,141	695,063
Back pay	2,717	-
Acting allowance	284,546	-
Car Allowance	120,000	120,000
Cellphone allowance	18,000	19,500
Remote allowance	27,169	32,603
Contributions to UIF, medical and pension funds	2,125	1,898
	<b>1,091,698</b>	<b>869,064</b>

The position of CFO was vacant for the period 1 April 2022 until 30 April 2022. An acting allowance was paid during this time to Mrs. N Jaxa.

### Remuneration of Corporate Services Director: Oliphant, TR

Annual Remuneration	695,063	695,063
Back pay	2,717	-
Acting allowance	6,256	-
Car Allowance	120,000	120,000
Cellphone allowance	18,000	19,500
Remote allowance	27,169	32,603
Contributions to UIF, Medical and Pension Funds	2,125	1,898
	<b>871,330</b>	<b>869,064</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Employee related costs (continued)</b>		
<b>Remuneration of Technical Services Director: Marufu, S</b>		
Annual Remuneration	695,063	695,063
Back pay	2,717	-
Acting allowance	26,193	-
Car Allowance	120,000	120,000
Cellphone allowance	18,000	19,500
Remote allowance	27,169	32,603
Contributions to UIF, Medical and Pension Funds	2,125	1,898
	<b>891,267</b>	<b>869,064</b>
<b>33. Remuneration of councillors</b>		
Councillors	4,408,825	3,054,573
<b>34. Administrative expenditure</b>		
Administration and management fees	-	24,698
<b>35. Depreciation and amortisation</b>		
Property, plant and equipment	15,060,274	16,590,090
Intangible assets	12,738	20,984
	<b>15,073,012</b>	<b>16,611,074</b>
<b>36. Finance costs</b>		
Other financial liabilities	41,000	179,171
Trade and other payables	3,921,966	2,264,807
Finance leases	1,344,031	665,188
Provisions	1,140,875	954,655
Post employee benefits	719,000	-
	<b>7,166,872</b>	<b>4,063,821</b>
<b>37. Debt impairment</b>		
Contributions to debt impairment provision	-	21,557,844
The debt impairment indicated above includes both the impairments on current and non-current debtors.		
<b>The Impairment movement is made up as follow:</b>		
Opening balance(current and non-current)	(81,096,561)	(59,538,677)
Provision for the current year	-	(21,557,884)
	<b>(81,096,561)</b>	<b>(81,096,561)</b>
<b>38. Bulk purchases</b>		
Electricity	14,524,998	12,663,222
Water	676,819	672,878
	<b>15,201,817</b>	<b>13,336,100</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>39. General expenses</b>		
Advertising	191,283	17,319
Bank charges	153,297	131,561
Chemicals	136,874	635,523
Consumables	1,485,454	151,108
Electricity	2,271,082	803,062
Entertainment	94,737	198,840
Fines and penalties	630	1
Free basic services	549,520	470,940
Fuel and oil	612,354	822,321
Hire	1,952	-
IT expenses	210,490	250,886
Insurance	844,183	846,989
Motor vehicle expenses	247,308	105,438
Other expenses (contracted services)	36,332	72,895
Postage and courier	222,676	54,267
Printing and stationery	146,306	385,163
Project maintenance costs	-	372,299
Protective clothing	25,328	64,019
Repairs and maintenance	(62,226)	752,578
Special programs	4,940	126,480
Staff welfare	516,280	4,587
Subscriptions and membership fees	509,639	500,000
Subsistence and traveling	430,124	1,242,919
Telephone and fax	539,194	328,314
Training	57,064	7,020
	<b>9,224,821</b>	<b>8,344,529</b>
<b>40. Fair value adjustments</b>		
Investment property (fair value model)	4,236	67,561
<b>41. Cash generated from operations</b>		
Deficit	(3,312,159)	(28,918,541)
<b>Adjustments for:</b>		
Depreciation and amortisation	15,073,012	16,611,074
Gain (loss) on sale of assets and liabilities	208,620	37,482
Fair value adjustments	(4,236)	(67,561)
Debt impairment	-	-
Movements in provisions	418,439	382,641
Finance costs	-	844,359
Donations received	-	(1,939,592)
<b>Changes in working capital:</b>		
Inventories	55,784	(29,052)
Receivables from exchange transactions	(9,903,660)	1,013,279
Consumer debtors	-	62,111
Receivables from non-exchange transactions	(12,489,760)	1,707,405
Prepayments	-	17,460
Non-current receivables from exchange transaction	-	703,543
Employee benefits	-	1,024,000
Payables from exchange transactions	28,514,375	24,704,221
VAT	(3,895,029)	(1,449,358)
Unspent conditional grants and receipts	(682,394)	(385,128)
Other receivables	36,249	595,416
Third party collections	-	748,834
Contributions paid to long service awards	-	163,190
	<b>14,019,241</b>	<b>15,825,783</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>42. Auditors' remuneration</b>		
Fees	3,431,873	3,939,039
<b>Fees paid consists of the following:</b>		
External audit fees	3,204,482	3,175,629
Consulting- Internal audit fees	227,391	217,410
	<b>3,431,873</b>	<b>3,393,039</b>

### 43. Financial instruments disclosure

#### Categories of financial instruments

##### 2022

#### Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	13,988,498	-	13,988,498
Cash and cash equivalents	-	674,103	674,103
	<b>13,988,498</b>	<b>674,103</b>	<b>14,662,601</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>Financial instruments disclosure (continued)</b>		
<b>Financial liabilities</b>		
	At amortised cost	Total
Finance lease obligation	817,192	817,192
Other financial liabilities	3,705,349	3,705,349
Payables from exchange transactions	150,142,675	150,142,675
Third party collections	390,151	390,151
	<b>155,055,367</b>	<b>155,055,367</b>

**2021**

### Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	2,508,884	-	2,508,884
Cash and cash equivalents	-	(22,010)	(22,010)
	<b>2,508,884</b>	<b>(22,010)</b>	<b>2,486,874</b>

### Financial liabilities

	At amortised cost	Total
Compound instruments	1,654,087	1,654,087
Other financial liabilities	2,871,988	2,871,988
Payables from exchange transactions	135,026,310	135,026,310
Third party collections	1,493,287	1,493,287
	<b>141,045,672</b>	<b>141,045,672</b>

## 44. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	9,168,472	18,054,605
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#### Total capital commitments

Already contracted for but not provided for	9,168,472	18,054,605
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#### Total commitments

Authorised capital expenditure	9,168,472	18,054,605
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, government grants, funds internally generated, etc.

The amounts disclosed above is including VAT.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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### 45. Contingencies

Contingent liabilities

#### **KET Civils/Thembelihle Local Municipality:**

No liability exist at this stage.

#### **Thembelihle Local Municipality/ Abithame Motsi (56/2021)- Application to cease business:**

No liability exist at this stage

### Contingent assets

No contingent assets have been identified.

### 46. Related parties

Relationships

Accounting Officer

Senior management

The accounting officer had no interest in contracts

S Marufu - Stepcon Materials Lab and Surveying Services

TR Oliphant - Groman Productions(Deregistered), Dlovu Logistics and Pro Productions(Deregistered)

Council

B Mpamba - Thembelihle Bricks (deregistered)

HL Britz - Oranjerivier Sekuriteit (deregistration process) and Hartland Slaghuis Hopetown

J Tallies - Jumba Business Solutions (deregistration process)

C Dolopi - De Vic Trading (deregistration process) and Abaphumeleli Trading 1073 (deregistered)

PP van Niekerk-Cannahoekvervoer and Hopetown Onderdele

TE Diena- Tau Enterprises

F Mans-Thaugela Transport

J Mkosana-Mkosana Tradings and STB Solution

D Jonas- Thembelihle Bricks( Deregistered)

### Related party balances

#### **Accounts included in trade and receivables regarding related parties**

Britz HL	-	80
Dolopi V	56,237	45,822
Mpamba B	-	70,559
Shuping R	-	119
Swartling S	-	218
van Niekerk PP	1,820	-
Jansen R	323	-
Yola T	112,377	-

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 46. Related parties (continued)

#### Related party transactions

##### Rent received from related parties

Esterhuizen EE	7,124	7,271
Gonya R	8,050	7,704
Jack MR	-	27,891
Jafta P	12,272	10,384
Khapa LB	8,589	4,533
Marufu S	20,852	20,852
Molusi TC	2,815	11,259
Shuping R	20,852	20,852

#### Remuneration of management

##### Councillors

##### 2022

Name	Basic salary	Cellphone allowance	Backpay	Re-imbursive travel allowance	Subsistence	Medical aid contribution	Total
Makenna LW	431,965	29,600	12,815	21,876	21,400	-	517,65
Mpamba B	540,163	44,400	-	34,179	40,000	45,595	704,33
Jonas DA	392,490	29,600	12,815	18,706	16,000	-	469,61
Jansen R	298,442	44,400	-	7,222	17,000	48,071	422,78
Guest G	91,152	18,500	-	-	-	-	109,65
Brtis HL	72,849	18,500	-	18,304	-	19,248	134,90
Tallies J	116,979	18,500	-	1,242	-	-	146,54
Swartling S	116,979	18,500	-	12,296	5,400	-	162,99
Dolopi C	330,040	44,400	-	12,773	17,600	-	441,20
Van Niekerk PP	165,129	29,600	-	-	-	-	194,72
Diana TE	165,129	29,600	-	-	9,600	5,146	209,47
Yola T	165,129	29,600	450	-	10,600	-	205,77
Mans F	177,944	29,600	-	2,342	9,200	-	219,08
Stenekamp E	192,519	29,600	33,358	-	12,800	-	268,27
Mkosana J	165,129	29,600	-	22,386	12,800	-	229,91
	<b>3,196,983</b>	<b>-</b>	<b>120,630</b>	<b>147,226</b>	<b>147,089</b>	<b>45,595</b>	<b>4,408,82</b>

##### 2021

Name	Basic salary	Other short-term employee benefits	Total
Mpamba B	850,825	44,400	895,225
Britz HL	324,270	44,400	368,670
Dolopi V	190,964	25,900	216,864
Guest C	170,061	29,600	199,661
Jansen R	343,095	44,400	387,495
Naude PM	95,374	14,800	110,174
Swartling B	327,367	44,400	371,767
Tallies J	327,367	44,400	371,767
Tshangela B	114,450	18,500	132,950
	<b>2,743,773</b>	<b>310,800</b>	<b>3,054,573</b>

Senior management refer to note 33.



# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 47. Risk management

#### Financial risk management

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

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council and the finance committee which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The municipality also gets funding from National and Provincial government which helps to ease the pressure of any liquidity crisis.

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

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

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the policy. Trade Receivables are presented net of an allowance for impairment.

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

Financial instrument	2022	2021
Receivables from exchange transactions	13,811,581	2,508,884
Receivables from non-exchange transactions	13,103,439	613,679
Cash and cash equivalents	621,132	244,478

#### Market risk

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2022 and 2021, the municipality's borrowings at variable rate were denominated in the Rand.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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### 48. Principal - agent arrangements

Agent in arrangement

Thembelihle Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers' licences on behalf of the Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. The responsibility of issuing vehicle licences was removed from the municipality effective 01 September 2018 significantly reducing the commission received during the reporting period.

Compensation received for agency activities:

Commission (payroll deductions)	171,374	1,346,441
Commission( Transport, Safety and Liason)	428,222	131,254
	<b>599,596</b>	<b>1,477,695</b>

Thembelihle Local Municipality was paid 2.5% and 5% commission by various personal insurance companies, unions and legal firms for acting as an agent on its behalf during the financial year.

Thembelihle Local Municipality was paid 12% commission by the Departments of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.

### Resources under custodianship of agent

There are no resources of the principal under the custodianship of Thembelihle Local Municipality, nor have that been recognised as such.

### 49. Unauthorised expenditure

Opening balance	178,463,571	167,838,007
Add: Current year	-	10,625,564
	<b>178,463,571</b>	<b>178,463,571</b>

### 50. Fruitless and wasteful expenditure

Opening balance	40,453,999	37,729,698
Add: Current year	3,879,180	2,724,301
	<b>44,333,179</b>	<b>40,453,999</b>

Interest charges on overdue accounts: The municipality was charged for interest on outstanding accounts. A register containing the information required by the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 51. Irregular expenditure

Opening balance	177,620,183	168,191,396
Add: Irregular Expenditure - current year	6,038,801	9,428,787
	<b>183,658,984</b>	<b>177,620,183</b>

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>52. Deviations</b>		
Emergency	345,684	1,238,934
Less than 3 quotes	669,511	335,740
Single supplier	716,175	28,288
Exceptional cases	302,277	738,934
	<b>2,033,647</b>	<b>2,341,896</b>
<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	4,512,623	3,567,353
Current year subscription / fee	3,431,873	3,144,897
Amount paid - current year	-	(2,199,627)
<b>Closing balance</b>	<b>7,944,496</b>	<b>4,512,623</b>
<b>PAYE and UIF</b>		
Opening balance	1,276,427	(193)
Current year subscription / fee	5,143,897	5,027,070
Amount paid - current year	(5,143,897)	(3,750,450)
<b>Closing balance</b>	<b>1,276,427</b>	<b>1,276,427</b>
<b>Pension and medical aid deductions</b>		
Opening balance	1,706,214	(25,150)
Current year subscription / fee	-	6,999,821
Amount paid - current year	(2,178,020)	(5,268,457)
<b>Closing balance</b>	<b>(471,806)</b>	<b>1,706,214</b>
<b>VAT</b>		
VAT receivable	8,526,728	4,631,699
VAT output payables and VAT input receivables are shown in note 7.		
<b>54. Distribution losses</b>		
<b>Distribution losses - water</b>		
Water units available for sale (kl)	2,013,302	2,051,624
Water units sold (kl)	(406,496)	(552,999)
Own consumption (kl)	-	(1,631)
Water units lost (kl)	1,612,331	1,496,994
Average cost per unit (R)	8.82	8.82
Total loss in Rand value	14,220,759	13,205,143

Distribution losses relates to unaccounted water distributed. The foregoing costs, which represents 80% (2021: 73%) of the water purchases for the year, has been included in bulk purchases. The average cost per unit was R 8.82 (2021: R 8.82). The level of the distribution losses are not within the acceptable norms.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>54. Distribution losses (continued)</b>		
<b>Distribution losses - electricity</b>		
Electricity units bought (kWh)	7,596,019	8,279,044
Electricity units sold (kWh)	(3,222,329)	(4,102,911)
Own consumption (kWh)	-	(107,877)
Electricity units lost (kWh)	4,373,690	4,068,256
Average cost per unit (R)	2.43	2.43
Total loss in Rand value	10,628,067	9,895,780

Distribution losses relates to unaccounted electricity distributions. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 58% (2021: 49%) of the electricity purchases for the year, has been included in bulk purchases. The highest rate was R2.43 (2021: R2.43). The level of the distribution losses are not within the acceptable norms.

### 55. Utilisation of long-term liabilities reconciliation

Long-term liabilities raised	3,705,349	2,871,988
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Long-term liabilities have been utilized in accordance with the MFMA. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 56. Budget differences

#### Material differences between budget and actual amounts

Statement of financial performance

1. **Service Charges**- This is due to broken meters and distribution losses

2. **Rental of facilities** – Non collection of rental income due to poor internal controls.

3. **Interest received outstanding debtors**- Increase due to outstanding debtors

4. **Licence and permits** – This forms part of receivables

5. **Agency services** - This increase in revenue is attributed to the closure of the Hopetown Post office. Certain functions were moved to the municipal traffic department

6. **Interest received Investments** – Due to large payables the Municipality could not manage investments accordingly.

7. **Property rates** – The supplementary valuation roll was received after council adopted the budget

8. **Licences and Permits** – This increase in revenue is attributed to the closure of the Hopetown Post office. Certain functions were moved to the municipal traffic department.

9. **Gains**- Expected sale of land could not materialize.

10. **Government grants & subsidies** – Unspent conditional grants paid back. MIG grant reduced due to slow spending.

11. **Public contributions and donations** -

12. **Fines, penalties and forfeits** – Unresolved labour issues affected productivity

13. **Employment costs** – Resignations during the financial year

14. **Remuneration of councillors** – Change in council after the local government elections

15. **Debt impairment** - This is due to the current implementation of prepaid electricity installation on new developed areas within the municipal boundaries. The project is to be completed in beyond 2023.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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### 56. Budget differences (continued)

**16. Depreciation** - Omissions and additions included in the current year

**17. Finance charges** - When the municipality signed the agreement with Eskom, the interest was suspended. Due to cashflow constraints, the municipality could not hold its end of the agreement and therefore the interest was reversed.

**18. Lease rentals on operating lease** - Included in other expenditure

**19. Collection costs** - Included in other expenditure

**20. Other materials** - Included in other expenditure

**21. Bulk purchases** – Consumer usage increased exponentially

**22. Contracted Services** – This was in result of poor cash flow

**23. Transfers and subsidies** - The budgeted was never used.

**24. Other expenditure** – When taking in consideration the Lease rentals on operating lease, collection and other material cost there is no material difference.

**25. Inventory consumed**- Included in other expenditure.

Statement of financial position

**Inventories** - Unexpected repairs

**Receivables from exchange transactions** - The supplementary valuation roll was received after council adopted the budget

**Receivables from non-exchange transactions** -The supplementary valuation roll was received after council adopted the budget

**Other receivables receivable** - This is VAT

**Cash and cash equivalents** – Due to large payables the municipality has limited funds

**Investment property** - Due to change in fair value movement

**Property, plant and equipment** -Due to recognition of Landfill site.

**Intangible assets** –Due to change in amortization.

**Investments** - Due to large payables the Municipality could not manage investments accordingly.

**Other financial liabilities** – Increase is due to non-payment as the municipality has cashflow constraint

**Payables from exchange transaction** - Increase is due to non-payment as the municipality has cashflow constraints

**Employee benefit obligation** -Not budgeted for.

**Unspent conditional grants and received** - Due to unspent portion on MIG and EPWP.

**Provisions** - Due to the recognition of landfill site .

### 57. Events after the reporting date

No events occurred after the reporting date.

# Thembelihle Local Municipality

Annual Financial Statements for the year ended June 30, 2022

## Notes to the Annual Financial Statements

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Figures in Rand

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### 58. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus of R 128,771,589 and that the municipality's total assets exceed its liabilities by R 128,771,589. In the current financial year, the municipality had an operating deficit of R3,232,775

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality currently relies on grants received from National and Provincial government.