

TSANTSABANE LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021**

TSANTSABANE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2021

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

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TSANTSABANE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2021

General information

Legal form	NC085 - Local Municipality. The municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000, and various other acts and regulations.	
Jurisdiction	Tsantsabane Local municipality is located in the north-eastern part of the Northern Cape Province in the ZF Mgcawu District. Cities/Towns: Postmasburg Beeshoek	
Nature of business	Tsantsabane Local Municipality is a South African Category B Local Municipality as defined in the Municipal Structures Act. The municipality performs functions as set out in the Constitution. This means that the Municipality provides services such as electricity, water, sewerage and refuse to the Community.	
Capacity of local authority	Low capacity (grade 2)	
Municipal demarcation code	NC085	
Management structure	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.	
Municipal manager	H Mathobela	
Chief Financial Officer	LR Coakley	
Other heads of departments	Director Corporate Services	IC Nkadimang
	Director Technical Services	RV Mlangeni
	Director Community Development	JJ Theys
Registered office	13 Springbok Street Postmasburg 8420 Telephone: 053 313 7300 Website: www.tsantsabane.gov.za	
External auditors	Auditor-General of South Africa Private Bag X5013 Kimberley	

TSANTSABANE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2021

General information

Principle banker	Standard Bank 32 Main Street Po Box 24 Postmasburg 8420	
Relevant legislation	Municipal Finance Management Act Division of Revenue Act The Income Tax Amendment Act Value Added Tax Amendment Act Municipal Structures Act Municipal Systems Act Municipal Planning and Performance Management Regulations Housing Act Skills Development Levies Amendment Act Employment Equity Act Unemployment Insurance Act Basic Conditions of Employment Act Supply Chain Management Regulations	
Executive Mayor	M Mashila	Ward 6
Councillors	EE Poto	Ward 1
	M Daniels	Ward 2
	EEJ Phete	Ward 3
	KG Keoremetswe	Ward 4
	IK Tshabane	Ward 5
	M Mashila	Ward 6
	TJ Saulus	Ward 7
	HA Beets	Proportional
	AJ Ruiters	Proportional
	EC Bicks	Proportional
	D Esau	Proportional
	JJ Swart	Proportional
	OM Mabilo	Proportional

TSANTSABANE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2021

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2021 which are set out on pages 1 to 120, in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year ended 30 June 2021.

The annual financial statements set out on pages 1 to 120, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by:



H Mathobela
Municipal Manager

30 September 2021
Date

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

		Actual	
	Note	2021	2020
		R	Restated R
ASSETS			
Current Assets		44 965 552	50 191 856
Inventories	2	353 993	389 392
Receivables from Exchange Transactions	3	13 691 719	14 418 263
Receivables from Non-exchange Transactions	4	13 352 939	17 547 024
VAT Receivable	5	8 774 149	2 534 651
Cash and Cash Equivalents	6	8 792 752	15 292 314
Operating Lease Receivables	7	-	10 213
Non-Current Assets		730 097 105	723 721 364
Property, Plant and Equipment	8	667 942 696	670 861 001
Intangible Assets	9	535 244	779 996
Investment Property	10	61 224 490	51 685 691
Heritage Assets	11	394 675	394 675
Total Assets		775 062 657	773 913 220
LIABILITIES			
Current Liabilities		374 808 537	356 242 724
Consumer Deposits	12	2 475 829	2 412 558
Employee Benefit Liabilities	13	1 378 000	924 000
Payables from Exchange Transactions	14	357 591 000	333 583 080
Unspent Conditional Grants and Receipts	15	3 509 686	6 765 366
Bank Overdraft	6	1 644 553	3 142 305
Current Portion of Long-term Liabilities	16	8 209 469	9 415 414
Non-Current Liabilities		55 689 469	43 598 501
Long-term Liabilities	16	6 759 271	2 551 881
Employee Benefit Liabilities	17	17 147 000	14 667 000
Non-current Provisions	18	31 783 198	26 379 620
Total Liabilities		430 498 007	399 841 224
Total Assets and Liabilities		344 564 650	374 071 995
NET ASSETS		344 564 650	374 071 995
Accumulated Surplus / (Deficit)	19	344 564 650	374 071 995
Total Net Assets		344 564 650	374 071 995

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

		Actual	
	Note	2021	2020
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	20	39 943 930	37 149 112
Fines, Penalties and Forfeits	21	89 278	124 738
Licences and Permits	22	963 766	842 075
Transfers and Subsidies	23	75 951 913	60 083 375
Revenue from Exchange Transactions			
Service Charges	24	106 444 431	99 516 422
Sales of Goods and Rendering of Services	25	370 625	298 055
Rental from Fixed Assets	26	479 165	439 709
Interest Earned	27	684 926	886 753
Operational Revenue	28	278 080	239 183
Gains on Disposal of Property, Plant and Equipment	39	17 134 700	-
Total Revenue		242 340 815	199 579 422
EXPENDITURE			
Employee Related Costs	29	81 295 831	72 918 480
Remuneration of Councillors	30	5 708 335	5 477 125
Depreciation and Amortisation	31	33 204 397	33 450 795
Impairment Losses	32	29 544 037	48 159 361
Finance Costs	33	12 683 120	13 748 671
Bulk Purchases	34	62 834 006	59 188 325
Contracted Services	35	21 839 467	21 400 232
Inventory Consumed	36	2 083 176	2 385 078
Operating Leases	37	1 188 112	2 299 211
Operational Costs	38	16 216 272	13 443 207
Loss on Disposal of Property, Plant and Equipment	39	5 235 623	4 326 426
Total Expenditure		271 832 376	276 796 912
DEFICIT FOR THE YEAR		(29 491 561)	(77 217 490)
Refer to Budget Statement for explanation of budget variances			

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated Surplus/(Deficit)	Total Net Assets
	R	R
2020		
Balance at 30 June 2019	459 892 388	459 892 388
Correction of Error (Note 40)	(8 602 904)	(8 602 904)
Restated Balance	451 289 484	451 289 484
Deficit for the year	(77 217 489)	(77 217 489)
Deficit for the year: Previously Reported	(78 955 392)	(78 955 392)
Correction of Error (Note 40)	1 737 903	1 737 903
Balance at 30 June 2020	374 071 995	374 071 995
2021		
Appropriations in 2021	(15 784)	(15 784)
Deficit for the year	(29 491 561)	(29 491 561)
Balance at 30 June 2021	344 564 650	344 564 650

TSANTSABANE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

		Actual	
	Note	2021 R	2020 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		31 635 792	14 243 217
Transfers and Subsidies		70 948 054	57 976 732
External Interest Received		684 926	886 753
Service charges		89 132 838	60 618 195
Other Receipts		4 204 622	4 132 645
VAT Receivable		-	1 982 604
Payments			
Employee Related Costs		(77 723 421)	(71 558 889)
Remuneration of Councillors		(5 708 335)	(5 477 125)
External Interest Paid		(4 160 044)	(14 944 807)
Suppliers Paid		(80 771 907)	(34 235 904)
VAT Payable		(6 239 498)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	44	<u>22 003 027</u>	<u>13 623 421</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(23 768 055)	(10 512 625)
Purchase of Intangible Assets	9	-	(6 911)
Proceeds on Disposal of Assets		7 716 075	4 574 091
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(16 051 980)</u>	<u>(5 945 445)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(10 952 857)	(7 958 363)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(10 952 857)</u>	<u>(7 958 363)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(5 001 810)</u>	<u>(280 384)</u>
Cash and Cash Equivalents at Beginning of Period		12 150 009	12 430 393
Cash and Cash Equivalents at End of Period	6	7 148 199	12 150 009

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R
FINANCIAL POSITION							
Current Assets							
Inventories	6 186 376	-	6 186 376	-	6 186 376	353 993	(5 832 383)
Receivables from Exchange Transactions	11 570 473	-	11 570 473	20 749 859	32 320 332	13 691 719	(18 628 613)
Receivables from Non-exchange Transactions	7 044 872	-	7 044 872	557 845	7 602 717	13 352 939	5 750 222
VAT Receivable	-	-	-	-	-	8 774 149	8 774 149
Cash and Cash Equivalents	8 254 340	-	8 254 340	-	8 254 340	8 792 752	538 412
Non-Current Assets							
Property, Plant and Equipment	729 113 192	2 273 600	731 386 792	2 283 200	733 669 992	667 942 696	(65 727 296)
Intangible Assets	110 550	-	110 550	-	110 550	535 244	424 694
Investment Property	60 155 386	-	60 155 386	-	60 155 386	61 224 490	1 069 104
Heritage Assets	355 000	-	355 000	-	355 000	394 675	39 675
Total Assets	822 790 189	2 273 600	825 063 789	23 590 904	848 654 693	775 062 657	(73 592 036)
Current Liabilities							
Consumer Deposits	2 397 140	-	2 397 140	-	2 397 140	2 475 829	78 689
Provisions	1 213 588	-	1 213 588	-	1 213 588	1 378 000	164 412
Payables from Exchange Transactions	274 318 747	5 184 252	279 502 999	(239 067 886)	40 435 113	357 591 000	317 155 887
Unspent Conditional Grants and Receipts	-	-	-	-	-	3 509 686	3 509 686
Bank Overdraft	-	-	-	-	-	1 644 553	1 644 553
Current Portion of Long-term Liabilities	-	-	-	-	-	8 209 469	8 209 469
Non-Current Liabilities							
Long-term Liabilities	4 600 000	-	4 600 000	-	4 600 000	6 759 271	2 159 271
Employee Benefit Liabilities	-	-	-	-	-	17 147 000	17 147 000
Non-current Provisions	21 200 599	-	21 200 599	-	21 200 599	31 783 198	10 582 599
Total Liabilities	303 730 074	5 184 252	308 914 326	(239 067 886)	69 846 440	430 498 007	360 651 567
Total Assets and Liabilities	519 060 115	(2 910 652)	516 149 463	262 658 790	778 808 253	344 564 650	(434 243 603)
Net Assets (Equity)							
Accumulated Surplus / (Deficit)	519 060 115	(2 910 652)	516 149 463	262 658 790	778 808 253	344 564 650	(434 243 603)
Total Net Assets	519 060 115	(2 910 652)	516 149 463	262 658 790	778 808 253	344 564 650	(434 243 603)

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE							
Revenue from Non-exchange Transactions							
Property Rates	62 109 063	-	62 109 063	2 174 128	64 283 191	39 943 930	(24 339 261)
Fines, Penalties and Forfeits	661 604	-	661 604	-	661 604	89 278	(572 326)
Licences and Permits	569 458	-	569 458	-	569 458	963 766	394 308
Transfers and Subsidies	75 460 247	3 836 000	79 296 247	1 591 720	80 887 967	75 951 913	(4 936 054)
Revenue from Exchange Transactions							
Service Charges	121 056 387	-	121 056 387	-	121 056 387	106 444 431	(14 611 956)
Sales of Goods and Rendering of Services	-	-	-	-	-	370 625	370 625
Rental from Fixed Assets	592 897	-	592 897	-	592 897	479 165	(113 732)
Interest, Dividends and Rent on Land Earned	723 872	-	723 872	-	723 872	684 926	(38 946)
Operational Revenue	2 746 035	-	2 746 035	(1 434 238)	1 311 797	278 080	(1 033 717)
Gains on Disposal of Property, Plant and Equipment	7 104 249	-	7 104 249	-	7 104 249	17 134 700	10 030 451
Total Revenue	271 023 812	3 836 000	274 859 812	2 331 610	277 191 422	242 340 815	(34 850 607)
Expenditure							
Employee Related Costs	88 407 928	2 194 400	90 602 328	(17 457 989)	73 144 339	81 295 831	8 151 492
Remuneration of Councillors	5 807 069	-	5 807 069	-	5 807 069	5 708 335	(98 734)
Depreciation and Amortisation	18 681 622	-	18 681 622	-	18 681 622	33 204 397	14 522 775
Impairment Losses	31 349 999	-	31 349 999	-	31 349 999	29 544 037	(1 805 962)
Interest, Dividends and Rent on Land	2 471 286	-	2 471 286	1 200 716	3 672 002	12 683 120	9 011 118
Bulk Purchases	64 108 805	3 429 204	67 538 009	(21 668 499)	45 869 510	62 834 006	16 964 496
Contracted Services	16 079 389	(2 506 118)	13 573 271	27 238 348	40 811 619	21 839 467	(18 972 152)
Inventory Consumed	2 748 528	-	2 748 528	-	2 748 528	2 083 176	(665 352)
Operating Leases		-		-		1 188 112	1 188 112
Operational Costs	17 891 983	-	17 891 983	-	17 891 983	16 216 272	(1 675 711)
Loss on Disposal of Property, Plant and Equipment		-	-	-		5 235 623	5 235 623
Total Expenditure	247 546 609	3 117 486	250 664 095	(10 687 424)	239 976 671	271 832 376	31 855 705
Surplus/(Deficit for the Year)	23 477 203	718 514	24 195 717	13 019 034	37 214 751	(29 491 561)	(66 706 312)

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION							
Finance and Administration	1 350 000	-	1 350 000	-	1 350 000	4 757 882	3 407 882
Community Services	1 606 280	2 273 600	3 879 880	-	3 879 880	-	(3 879 880)
Corporate Services	517 000	-	517 000	-	517 000	-	(517 000)
Technical Services	28 881 000	-	28 881 000	2 283 200	31 164 200	31 593 155	428 955
Executive Council	200 000	-	200 000	-	200 000	-	(200 000)
Total Capital Expenditure	32 554 280	2 273 600	34 827 880	2 283 200	37 111 080	36 351 037	(760 043)

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R	R
CASH FLOW							
Cash Flows from/(used in) Operating Activities							
Property Rates	40 370 891	-	40 370 891	5 813 917	46 184 808	31 635 792	(14 549 016)
Transfers and Subsidies	84 769 000	(6 082 348)	78 686 652	(175 240)	78 511 412	70 948 054	(7 563 358)
External Interest and Dividends Received	723 872	-	723 872	-	723 872	684 926	(38 946)
Service charges	78 686 652	(7 627 372)	71 059 280	(158 280)	70 901 000	89 132 838	18 231 838
Other Receipts	2 970 496	-	2 970 496	(6 614)	2 963 882	4 204 622	1 240 740
Employee Related Costs	(160 014 616)	(3 117 486)	(163 132 102)	-	(163 132 102)	(77 723 421)	85 408 681
Remuneration of Councillors	-	-	-	-	-	(5 708 335)	(5 708 335)
External Interest and Dividends Paid	(2 500 000)	-	(2 500 000)	-	(2 500 000)	(4 160 044)	(1 660 044)
Suppliers Paid	(14 471 450)	2 592 126	(11 879 324)	-	(11 879 324)	(80 771 907)	(68 892 583)
VAT Receivable / Payable		-		-	-	(6 239 498)	(6 239 498)
Cash Flows from/(used in) Investing Activities							
Purchase of Property, Plant and Equipment	(32 554 280)	(2 273 600)	(34 827 880)	6 368 800	(28 459 080)	(23 768 055)	4 691 025
Proceeds on Disposal of Property, Plant and Equipment		16 527 035	16 527 035	-	16 527 035	7 716 075	(8 810 960)
Cash Flows from/(used in) Financing Activities							
Repayment of Borrowings		-		-	-	(10 952 857)	(10 952 857)
Increase / (Decrease) in consumer deposits	2 397 140	(2 397 140)		-	-	-	-
Net increase/(decrease) in cash held	377 705	(2 378 785)	(2 001 080)	11 842 583	9 841 503	(5 001 810)	(14 843 313)
Cash and Cash Equivalents at the year begin	10 255 420		10 255 420		10 255 420	12 150 009	1 894 589
Cash and Cash Equivalents at the year end	10 633 125	(2 378 785)	8 254 340	11 842 583	20 096 923	7 148 199	(12 948 724)

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2020 and 30 June 2021 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

1.3.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned, and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**
The calculation in respect of the impairment of Debtors 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 is performed per service-identifiable categories across all classes of debtors.

1.3.3 Fair Value Estimations

As described in Accounting Policies 5.2 the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specific as follows:

- **Investment Property** is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

1.3.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 2.3, and 4.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

1.3.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 6 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.3.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on actual dip readings, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 9.2.

1.3.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a Going Concern Assumption.

The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going Concern Assumption.

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1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- Guideline Accounting for Landfill sites
- Guideline The application of Materiality to Financial Statements

Management has considered all of the above-mentioned Guidelines issued but not yet effective and anticipates that the adoption of these guidelines will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are initially recognised at 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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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 recognized 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.

2.2 Subsequent Measurement

Plant and Equipment

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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.

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The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Land and Buildings			Infrastructure	
	Land	Indefinite		Roads and Paving	5 - 80
	Buildings	15 - 50		Roads & Paving	10 - 60
				Electricity	10 - 70
				Water	15 - 60
	Other			Community	
	Computer Equipment	3 - 7		Graveyard site	15 - 50
	Furniture and Fittings	7 - 8		Recreational & Sport Facilities	15 - 50
	Motor Vehicles	5 - 6		Landfill sites	10 - 30
	Office Equipment	3 - 7			
	Plant and Machinery	3 - 7			

2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

2.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.7 Derecognition

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.

3. HERITAGE ASSETS

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

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3.1 Initial Recognition

Heritage Assets are initially recognised at 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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

3.3 Derecognition

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item is derecognised.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with GRAP 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

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

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	3 - 7

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

The Municipality recognises Investment property as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- (b) the cost or fair value of the investment property can be measured reliably.

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

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

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

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

5.2 Subsequent Measurement

Fair Value Model:

Investment Property is measured using the Fair Value Model. Investment Property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset, if necessary. A gain or loss arising from a change in the fair value of Investment Property is included in Surplus or Deficit for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

5.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised.

6. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

6.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The 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.

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

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

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

6.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

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

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

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

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

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7. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

7.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the 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.

7.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

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7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

7.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Advance payments (consumer debtors with credit balances) are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

7.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

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Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "loss events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

7.5 Derecognition of Financial Assets

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

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

7.6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

8. STATUTORY RECEIVABLES

8.1 Transitional Provisions

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.

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The Statutory Receivables that exists in the municipality's books at year-end are those relating to Property Rates (refer to 10.3.1), Fines (refer to 10.3.2) and VAT receivable.

The municipality is registered with the South African Revenue Service (SARS) for VAT in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991). The municipality accounts for VAT on the payment basis.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2022.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory 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 the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the weighted average Method.

9.2.2 Water Inventory

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

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

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

9.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

9.2.4 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

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

10. REVENUE RECOGNITION

10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

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

10.2.2 Prepaid Electricity

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

10.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

10.2.4 Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

10.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.6 Sale of Goods (including Houses)

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

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

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10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes (Statutory Receivable as per Accounting Policy 8)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines (Statutory Receivable as per Accounting Policy 8)

Fines constitute both spot fines and summonses

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

10.3.3 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain.

11. PROVISIONS

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

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

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

11.1 Provision for Environmental Rehabilitation

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

12. EMPLOYEE BENEFIT LIABILITIES

12.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

12.1.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

12.1.2 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

12.1.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

12.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

The defined benefit liability is the aggregate of the present value of the defined benefit obligation minus the the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

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

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

13. LEASES

13.1 The Municipality as Lessee

13.1.1 Finance Leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

13.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

13.2 The Municipality as Lessor

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

Rental revenue from **Operating Leases** is recognised on a Straight-line Basis over the term of the relevant lease.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit 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 Surplus or Deficit.

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit 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 Surplus or Deficit.

19. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in note 51 to the Annual Financial Statements.

21. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

22. RELATED PARTIES

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

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

23. EVENTS AFTER THE REPORTING DATE

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

24. SEGMENT REPORTING

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.

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Municipal governance, finance and administration
- The provision of water and infrastructure to ensure delivery of Water.
- The provision of electricity and infrastructure to ensure delivery of Electricity.
- The removal of waste water and sewerage through a Sewerage Network.
- The removal of Solid Waste.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

The Segmental Reporting is disclosed in Note 61 to the Annual Financial Statements.

TSANTSABANE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

25. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2020 to 30 June 2021.

26. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 42 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

27. CONSUMER DEPOSITS

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held. Consumer deposits are held in the municipality's primary bank account and available for immediate release.

Classification in terms of GRAP 104:

Financial liability at fair value

Financial Liabilities measured at fair value

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

Derecognition of Financial Liabilities

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

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Tsantsabane Local Municipality (the municipality) is a local government institution in Postmasburg, and is located within the north-eastern part of the Northern Cape Province, and is one of five local municipalities under the jurisdiction of the ZF Mgcawu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2021	2020
	R	R
Consumables	242 833	287 047
Water	111 160	102 345
Total Inventories	353 993	389 392

The cost of water for the year amounted to R1.55 (2020: R8.59) per kilolitre.

Consumables per stock take	306 338	366 833
Less provision for obsolete stock	(63 506)	(79 786)
	242 832	287 047

Reconciliation of Opening and Closing balances:

Consumables:

	2021	2020
	R	R
Opening balance	287 047	422 731
Add: Purchases	164 520	84 953
Less Obsolete stock & stock issued	(208 734)	(220 637)
Obsolete stock/Inventory write down	(63 506)	(79 786)
Stock issued (expense for the year)	(145 229)	(140 851)
Closing balance	242 833	287 047

Reconciliation of Opening and Closing balances:

Property Stock:

	2021	2020
	R	R
Opening balance	-	6 584 673
Add: Purchases	-	-
Less Sales/Transfers	-	(6 584 673)
Less Obsolete stock & stock issued	-	-
Closing balance	-	-

No Inventories have been pledged as collateral for Liabilities of the municipality.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Service Debtors:	252 899 425	240 235 549	12 663 876
Electricity	7 400 087	4 405 534	2 994 553
Refuse	60 529 320	58 960 848	1 568 472
Sewerage	99 922 948	95 899 674	4 023 274
Water	85 047 070	80 969 492	4 077 577
Other Receivables	5 854 237	4 826 394	1 027 843
Property Rental Debtors	5 308 663	4 826 394	482 269
Other Debtors: Control accounts	545 574	-	545 574
Total Receivables from Exchange Transactions	258 753 662	245 061 943	13 691 719
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	235 439 998	222 562 854	12 877 144
Electricity	8 947 041	5 272 018	3 675 024
Refuse	54 337 843	52 945 717	1 392 126
Sewerage	91 055 485	87 148 400	3 907 085
Water	81 099 628	77 196 718	3 902 910
Other Receivables	6 002 071	4 460 952	1 541 119
Property Rental Debtors	5 456 497	4 460 952	995 545
Other Debtors: Control accounts	545 574	-	545 574
Total Receivables from Exchange Transactions	241 442 069	227 023 806	14 418 263

The **prior year amount** for Receivables from Exchange Transactions has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2021

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1 042 617	347 121	365 138	5 645 210	7 400 087
Less: Provision for Impairment	564 509	209 722	220 608	3 410 696	4 405 535
Net Balances	478 109	137 399	144 531	2 234 514	2 994 553
Refuse:					
Gross Balances	1 476 368	1 361 144	1 273 230	56 418 579	60 529 320
Less: Provision for Impairment	1 438 112	1 325 873	1 240 237	54 956 627	58 960 848
Net Balances	38 257	35 271	32 993	1 461 952	1 568 472
Sewerage:					
Gross Balances	2 439 002	2 249 989	2 081 299	93 152 658	99 922 948
Less: Provision for Impairment	2 340 799	2 159 396	1 997 498	89 401 982	95 899 674
Net Balances	98 203	90 593	83 801	3 750 677	4 023 274
Property Rental:					
Gross Balances	78 871	39 393	42 156	5 148 243	5 308 663
Less: Provision for Impairment	71 706	35 814	38 327	4 680 547	4 826 394
Net Balances	7 165	3 579	3 830	467 695	482 269
Water:					
Gross Balances	1 900 371	1 093 333	859 860	81 193 505	85 047 070
Less: Provision for Impairment	1 814 981	1 044 206	821 223	77 289 081	80 969 492
Net Balances	85 390	49 127	38 636	3 904 424	4 077 578
Other: Control accounts					
Gross Balances	545 574	-	-	-	545 574
Less: Provision for Impairment	-	-	-	-	-
Net Balances	545 574	-	-	-	545 574

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June Receivables of R13 691 719 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due			Total Past Due
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	7 482 804	5 090 979	4 621 683	241 558 196	258 753 662
Less: Provision for Impairment	6 230 106	4 775 011	4 317 892	229 738 933	245 061 942
Net Balances	1 252 698	315 969	303 791	11 819 262	13 691 719

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	969 762	551 740	325 443	7 100 096	8 947 041
Less: Provision for Impairment	412 407	334 786	197 474	4 327 351	5 272 018
Net Balances	557 355	216 953	127 970	2 772 745	3 675 023
Refuse:					
Gross Balances	1 384 095	1 303 370	1 271 253	50 379 126	54 337 843
Less: Provision for Impairment	1 347 828	1 269 218	1 237 942	49 090 729	52 945 717
Net Balances	36 267	34 152	33 310	1 288 398	1 392 126
Sewerage:					
Gross Balances	2 455 175	2 285 115	2 215 647	84 099 548	91 055 485
Less: Provision for Impairment	2 361 625	2 198 045	2 131 224	80 457 505	87 148 400
Net Balances	93 549	87 070	84 423	3 642 044	3 907 085
Property Rental:					
Gross Balances	347 031	46 658	38 592	5 024 215	5 456 497
Less: Provision for Impairment	305 988	41 140	34 028	4 079 796	4 460 952
Net Balances	41 043	5 518	4 564	944 419	995 544
Water:					
Gross Balances	2 132 545	1 120 812	661 643	77 184 628	81 099 628
Less: Provision for Impairment	1 339 611	1 078 009	636 375	74 142 723	77 196 718
Net Balances	792 934	42 803	25 268	3 041 905	3 902 910

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Other: Control accounts

Gross Balances	545 574	-	-	-	545 574
Less: Provision for Impairment	-	-	-	-	-
Net Balances	545 574	-	-	-	545 574

As at 30 June Receivables of R14 418 263 were past due but not impaired. The age analysis of these Receivables are as follows:

Current	Past Due			Total Past Due
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	7 834 182	5 307 695	4 512 578	223 787 614	241 442 069
Less: Provision for Impairment	5 767 459	4 921 199	4 237 043	212 098 104	227 023 805
Net Balances	2 066 722	386 496	275 535	11 689 510	14 418 263

3.2 Summary of Service Debtors by Customer Classification

	Household & Other R	Industrial/ & Commercial R	National and Provincial Government R	Total R
As at 30 June 2021				
0 - 30 days	5 722 145	1 091 717	123 367	6 937 230
<u>Past Due:</u>				
31 - 60 Days	4 295 310	699 417	96 252	5 090 979
61 - 90 Days	4 040 505	495 400	85 778	4 621 683
+ 90 Days	228 358 203	8 009 526	5 190 467	241 558 196
Sub-total	242 416 163	10 296 060	5 495 864	258 208 088
Less: Provision for Impairment	236 742 478	8 319 464	-	245 061 942
Total Trade Receivables by Customer Classification	5 673 685	1 976 596	5 495 864	13 146 145
As at 30 June 2020				
				-
<u>Current:</u>				
0 - 30 days	6 499 257	1 209 133	125 792	7 834 182
<u>Past Due:</u>				
31 - 60 Days	4 275 472	894 545	137 678	5 307 695
61 - 90 Days	3 767 962	653 665	90 950	4 512 578
+ 90 Days	205 953 561	12 890 172	4 943 881	223 787 614
Sub-total	220 496 253	15 647 515	5 298 302	241 442 069
Less: Provision for Impairment	213 798 473	13 225 333	-	227 023 805
Total Trade Receivables by Customer Classification	6 697 780	2 422 182	5 298 302	14 418 263

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	227 023 806	192 524 761
Impairment Losses recognised	18 038 137	34 499 044
Balance at end of year	245 061 943	227 023 806

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

Current:

0 - 30 Days	6 230 106	5 767 459
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Past Due:

31 - 60 Days	4 775 011	4 921 199
61 - 90 Days	4 317 892	4 237 043
+ 90 Days	229 738 933	212 098 104

Total	245 061 942	227 023 805
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3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Property Rates	68 637 295	57 413 658	11 223 638
Fines	676 672	482 716	193 956
Deposits Held and Payments made in advance	1 935 345	-	1 935 345
Total Receivables from Non-exchange Transactions	71 249 313	57 896 374	13 352 939
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Property Rates	60 329 157	46 877 462	13 451 696
Fines	613 040	466 914	146 126
Deposits Held and Payments made in advance	3 949 202	-	3 949 202
Total Receivables from Non-exchange Transactions	64 891 399	47 344 376	17 547 024

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The **prior year amount** for Receivables from Non-Exchange Transactions has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	2 168 446	1 584 701	1 434 907	63 449 241	68 637 295
Less: Provision for Impairment	1 325 987	1 419 107	1 284 966	53 383 595	57 413 656
Net Balances	842 458	165 594	149 941	10 065 646	11 223 639
Deposits Held:					
Gross Balances	-	-	-	1 935 345	1 935 345
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	1 935 345	1 935 345
Fines:					
Gross Balances	676 672	-	-	-	676 672
Less: Provision for Impairment	482 716	-	-	-	482 716
Net Balances	193 956	-	-	-	193 956

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June Receivables of R13 352 941 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	2 845 118	1 584 701	1 434 907	65 384 586	71 249 313
Less: Provision for Impairment	1 808 704	1 419 107	1 284 966	53 383 595	57 896 372
Net Balances	1 036 414	165 594	149 941	12 000 991	13 352 941

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	7 881 343	1 493 059	1 424 258	49 530 497	60 329 157
Less: Provision for Impairment	6 943 807	1 315 450	1 254 833	37 363 371	46 877 462
Net Balances	937 536	177 609	169 424	12 167 127	13 451 696

Fines:

Gross Balances	613 040	-	-	-	613 040
Less: Provision for Impairment	466 914	-	-	-	466 914
Net Balances	146 126	-	-	-	146 126

Deposits Held:

Gross Balances	-	-	-	3 949 202	3 949 202
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	3 949 202	3 949 202

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June Receivables of R17 547 023 were past due but not impaired. The age analysis of these

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	8 494 383	1 493 059	1 424 258	53 479 699	64 891 399
Less: Provision for Impairment	7 410 722	1 315 450	1 254 833	37 363 371	47 344 376
Net Balances	1 083 662	177 609	169 424	16 116 328	17 547 023

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household & Other R	Industrial/ & Commercial R	National and Provincial Government R	Total R
As at 30 June 2021				
<u>Current:</u>				
0 - 30 days	1 552 060	590 664	25 722	2 168 446
<u>Past Due:</u>				
31 - 60 Days	1 269 501	307 448	7 753	1 584 701
61 - 90 Days	1 211 218	215 937	7 753	1 434 907
+ 90 Days	28 471 819	30 304 006	4 673 416	63 449 241
Sub-total	32 504 597	31 418 054	4 714 644	68 637 295
Less: Provision for Impairment	30 788 819	26 624 839	-	57 413 658
Total Rates Debtors by Customer Classification	1 715 778	4 793 215	4 714 644	11 223 637

	Household & Other R	Industrial/ & Commercial R	National and Provincial Government R	Total R
As at 30 June 2020				
<u>Current:</u>				
0 - 30 days	5 498 328	2 137 375	245 640	7 881 343
<u>Past Due:</u>				
31 - 60 Days	1 143 621	325 486	23 952	1 493 059
61 - 90 Days	1 104 499	295 807	23 952	1 424 258
+ 90 Days	18 354 109	25 157 551	6 018 837	49 530 497
Sub-total	26 100 558	27 916 219	6 312 380	60 329 157
Less: Provision for Impairment	23 619 441	23 258 021	-	46 877 462
Total Rates Debtors by Customer Classification	2 481 117	4 658 198	6 312 380	13 451 696

	2021 R	2020 R
4.3 Reconciliation of Provision for Impairment		
Balance at beginning of year	47 344 376	36 130 227
Impairment Losses recognised	10 551 998	11 214 149
Balance at end of year	57 896 374	47 344 376

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

5. VAT RECEIVABLE

Vat Receivable.

8 774 149

2 534 651

The **prior year amount** for VAT receivable has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.

The municipality accounts for VAT on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

Current Investments
Bank Accounts
Cash on hand

2021
R

2020
R

8 418 539
372 207
2 006

15 265 012
25 302
2 000

Total Bank, Cash and Cash Equivalents

8 792 752

15 292 314

Bank Overdraft

(1 644 553)

(3 142 305)

Net Bank, Cash and Cash Equivalents

7 148 199

12 150 009

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	8 418 539	15 265 012
Total Current Investment Deposits	8 418 539	15 265 012

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 2.5% to 3.45% (2019/20: 2.75% to 5.2%)

Fixed Deposits are investments with a maturity periods 30 to 365 days and earn interest at rates varying from 0.5% to 4.85% (2019/20: 6.5% to 6.8%)

Standard Bank: Call account - Acc nr 54 852 911 6 - 011	8 550	4 688 274
Standard Bank: Call Deposit - Acc nr 54 852 911 6 - 014	1 848	1 580 732
First National Bank: Fixed deposit (6 months) - Acc nr 62798446160	4 039	686 458
ABSA: Fixed Deposit (365 days) - Acc nr 20 7031 7223	8 244 673	8 260 055
First National Bank: Fixed deposit (30 days) - Acc nr 74753890167	-	49 492
Standard Bank: Call account - Acc nr 048459976 - 003	77 880	-
Standard Bank: Call Deposit - Acc nr 048459976 - 004	81 549	-

Total Deposits attributable to Commitments of the Municipality	8 418 539	15 265 012
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Deposits attributable to Unspent Conditional Grants	173 866	6 269 006
Deposits attributable to Payables	-	735 950
Deposits pledged as guarantees for ESKOM	8 244 673	8 260 055

Total Deposits attributable to Commitments of the Municipality	8 418 539	15 265 012
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6.2 Bank Accounts	2021	2020
	R	R
Cash in Bank	372 207	25 302
Bank Overdraft	(1 644 553)	(3 142 305)
Total Bank Accounts	(1 272 347)	(3 117 003)

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Postmasburg Branch - Primary Account: 21-3000-0021

Cash book balance at beginning of year	25 302	1 326 518
Cash book balance at end of year	<u>372 207</u>	<u>25 302</u>

Bank statement balance at beginning of year	25 302	1 326 518
Bank statement balance at end of year	<u>372 207</u>	<u>25 302</u>

Standard Bank - Postmasburg Branch - Primary Account: 040552861

Cash book balance at beginning of year	-	376
Cash book balance at end of year	<u>-</u>	<u>-</u>

Bank statement balance at beginning of year	-	376
Bank statement balance at end of year	<u>-</u>	<u>-</u>

Standard Bank - Postmasburg Branch - Primary Account: 230035868

Cash book balance at beginning of year	(3 142 305)	607 783
Cash book balance at end of year	<u>(1 646 553)</u>	<u>(3 142 305)</u>

Bank statement balance at beginning of year	1 275 252	685 989
Bank statement balance at end of year	<u>1 318 918</u>	<u>1 275 252</u>

Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

Cash Floats and Advances	2 006	2 000
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Total Cash on hand in Cash Floats, Advances and Equivalents	<u>2 006</u>	<u>2 000</u>
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The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

7. OPERATING LEASE RECEIVABLES	2021 R	2020 R
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	10 213	22 798
Operating Lease - Straight lining	38 878	72 514
Operating Lease Revenue effected	(49 091)	(85 100)
Total Operating Lease Receivables	-	10 213

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to two properties owned by the municipality with lease terms of 5 and 10 years (2019/20: 5 and 10 years), with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period. Both leases came to an end during the year under review.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	-	49 091
2 to 5 years	-	-
More than 5 years	-	-
Total Operating Lease Arrangements	-	49 091

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R 10,213 (2020: decrease of R 12,586) in current year income. The escalation on the two rentals is 6.9% and 8%.

Operating leases also relate to property leases for municipal houses. The lessee does not have an option to purchase the leased asset at the expiry of the lease period. These rentals are classified as contingent rentals due to uncertain lease periods which are on a month to month basis. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP13:

Up to 1 year
2 to 5 years
More than 5 years

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2021

Reconciliation of Carrying Value

Description	Community Assets	Infra-structure	Buildings	Land	Landfill sites	Other Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2020	13 496 457	541 274 824	53 795 419	46 659 706	6 912 282	8 722 314	670 861 001
Cost	24 878 509	778 588 155	95 885 354	46 659 706	29 010 100	33 424 103	1 008 445 926
Accumulated Impairment Losses	(162 381)	(4 241 557)	(808 475)	-	-	(1 900 140)	(7 112 554)
Accumulated Depreciation:	(11 219 671)	(233 071 773)	(41 281 460)	-	(22 097 818)	(22 801 649)	(330 472 371)
Acquisition of Assets							
- Cost		31 593 155		-		4 757 882	36 351 037
Depreciation:	(1 030 548)	(25 151 722)	(2 904 912)	-	(967 003)	(2 905 460)	(32 959 645)
Carrying value of Disposals:	-	(334 088)	-	(5 949 002)	-	(26 608)	(6 309 698)
- Cost	-	(644 475)	-	(5 949 002)		(1 946 658)	(8 540 135)
- Accumulated Impairment Losses	-	-	-	-	-	183 001	183 001
- Accumulated Depreciation	-	310 387	-			1 737 050	2 047 437
Impairment Losses	-	-	-	-	-		-
Carrying values at 30 June 2021	12 465 909	547 382 169	50 890 507	40 710 704	5 945 279	10 548 128	667 942 696
Cost	24 878 509	809 536 835	95 885 354	40 710 704	29 010 100	36 235 327	1 036 256 828
Accumulated Impairment Losses	(162 381)	(4 241 557)	(808 475)	-	-	(1 717 140)	(6 929 553)
Accumulated Depreciation:	(12 250 219)	(257 913 109)	(44 186 372)	-	(23 064 821)	(23 970 059)	(361 384 579)

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2020

Reconciliation of Carrying Value

Description	Community Assets	Infra-structure	Buildings	Land	Landfill sites	Other Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2019	14 542 704	555 894 933	57 563 720	46 663 561	7 879 285	8 370 810	690 915 012
Cost	24 878 509	769 099 160	95 875 414	46 663 561	29 010 100	29 895 293	995 422 036
Accumulated Impairment Losses	(162 381)	(4 241 557)	(808 475)	-	-	(1 717 581)	(6 929 995)
Accumulated Depreciation:	(10 173 424)	(208 962 670)	(37 503 219)	-	(21 130 815)	(19 806 901)	(297 577 029)
Acquisition of Assets							
- Cost	-	9 488 995	9 940	-	-	3 696 774	13 195 709
Depreciation:	(1 046 247)	(24 109 103)	(3 778 241)	-	(967 003)	(3 153 035)	(33 053 629)
Carrying value of Disposals:	-	-	-	(3 855)	-	(9 676)	(13 531)
- Cost	-	-	-	(3 855)	-	(167 964)	(171 819)
- Accumulated Depreciation	-	-	-	-	-	158 288	158 288
Impairment Losses	-	-	-	-	-	(182 559)	(182 559)
Carrying values at 30 June 2020	13 496 457	541 274 824	53 795 419	46 659 706	6 912 282	8 722 314	670 861 001
Cost	24 878 509	778 588 155	95 885 354	46 659 706	29 010 100	33 424 103	1 008 445 926
Accumulated Impairment Losses	(162 381)	(4 241 557)	(808 475)	-	-	(1 900 140)	(7 112 554)
Accumulated Depreciation:	(11 219 671)	(233 071 773)	(41 281 460)	-	(22 097 818)	(22 801 649)	(330 472 371)

Acquisition of Property, Plant and Equipment include Assets to the amount of R1 748 179 (2020: R1 161 633) donated to the municipality as indicated below (Refer to Note 53):

Donor	Description of Project	2021	2020
Assmang Iron Ore (Beeshoek)	Security Installations at Pump Stations (Work-in-Progress)	-	-
Kolomela Mine	Corrective Maintenance Wastewater Treatment Plant	-	986 239
Kolomela Mine	Upgrading of Infrastructure at Show Grounds	-	175 394
Kolomela Mine	Repairs to Sewer Pump Stations	-	-
Kolomela Mine	Upgrade Maremane Boreholes	-	-
Kuma Iron Ore	Construction of New Road	-	-
Assmang Iron Ore (Beeshoek)	Installation of Solar Lights in Postmasburg	1 354 233	-
Assmang Iron Ore (Beeshoek)	Improving Facilities of Local Libraries	393 946	-
Total for Donated Assets		1 748 179	1 161 633

The **prior year amount** for Property, Plant and Equipment has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2021
R

2020
R

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

8.1 Assets pledged as security

The municipality did not pledge any of its assets as security.

8.2 Work-in-Progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

	Included within Infrastructure	Total
Reconciliation of Work-in-Progress 2021		
Opening Balance	18 641 072	18 641 072
Additions/Capital Expenditure	18 300 620	18 300 620
Transferred to Completed Items	-	-
	<u>36 941 692</u>	<u>36 941 692</u>
Reconciliation of Work-in-Progress 2020		
Opening Balance	10 313 710	10 313 710
Additions/Capital Expenditure	8 327 362	8 327 362
Transferred to Completed Items	-	-
	<u>18 641 072</u>	<u>18 641 072</u>

8.3 Delayed Projects

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted below:

Project Details	Reason
Maremane Water Supply	Delays have been due to the contractor not doing the required pipe testing and final inspection for the snags.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

9. INTANGIBLE ASSETS	2021 R	2020 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>535 244</u>	<u>779 996</u>
The movement in Intangible Assets is reconciled as follows:		
	Software Purchased	Total
Carrying values at 01 July 2020	779 994	779 994
Cost	2 581 406	2 581 406
Accumulated Amortisation	(1 801 412)	(1 801 412)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(244 752)	(244 752)
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2021	535 242	535 242
Cost	2 581 406	2 581 406
Accumulated Amortisation	(2 046 164)	(2 046 164)
	Software Purchased	Total
Carrying values at 01 July 2019	1 186 562	1 186 562
Cost	2 676 087	2 676 087
Accumulated Amortisation	(1 489 525)	(1 489 525)
Acquisitions:	6 911	6 911
Amortisation:	(397 166)	(397 166)
Disposals:	(16 313)	(16 313)
At Cost	(101 591)	(101 591)
At Accumulated Amortisation	85 279	85 279
Carrying values at 30 June 2020	779 994	779 994
Cost	2 581 406	2 581 406
Accumulated Amortisation	(1 801 412)	(1 801 412)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10. INVESTMENT PROPERTY	2021 R	2020 R
At Fair Value	<u>61 224 490</u>	<u>51 685 691</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	51 685 691	56 235 300
Fair Value	53 949 300	56 235 300
Accumulated Impairment Losses	(2 263 609)	
Impairment Losses during the Year	(953 901)	(2 263 609)
Fair Value Adjustments	17 134 700	-
Disposals during the Year:	(6 642 000)	(2 286 000)
At Fair Value	<u>(6 642 000)</u>	<u>(2 286 000)</u>
Carrying values at 30 June	61 224 490	51 685 691
Fair Value	64 442 000	53 949 300
Accumulated Impairment	(3 217 510)	(2 263 609)

Reason for Impairment

It was noted that Property disclosed as Investment Property was invaded by the community ,management therefore took the decision to impair the portion of the investment property that was invaded as the Municipality no longer has control over this portion of the property .An impairment of R2 263 608.96(2019/2020) ;R 953 901 (2020/2021) has been disclosed, respectively.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

The **prior year amount** for Investment Property has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

10.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

11. HERITAGE ASSETS

30 June 2021

Reconciliation of Carrying Value

	Sculptures and Monuments	Municipal Jewellery	Total
	R	R	R
Carrying values at 01 July 2020	319 675	75 000	394 675
Cost	319 675	75 000	394 675
Accumulated Impairment Losses	-	-	-
Acquisitions	-	-	-
Carrying values at 30 June 2021	319 675	75 000	394 675
Cost	319 675	75 000	394 675
Accumulated Impairment Losses	-	-	-

30 June 2020

Reconciliation of Carrying Value

	Sculptures and Monuments	Municipal Jewellery	Total
	R	R	R
Carrying values at 01 July 2019	319 675	75 000	394 675
Cost	319 675	75 000	394 675
Accumulated Impairment Losses	-	-	-
Acquisitions	-	-	-
Carrying values at 30 June 2020	319 675	75 000	394 675
Cost	319 675	75 000	394 675
Accumulated Impairment Losses	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

11.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
12. CONSUMER DEPOSITS		
Water & Electricity	2 437 327	2 370 251
Other Deposits	38 502	42 308
Rental Properties	38 502	42 308
Total Consumer Deposits	2 475 829	2 412 558

Other deposits comprise deposits for properties rented out by the municipality.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

13. EMPLOYEE BENEFIT LIABILITIES

Current Portion of Employee Benefit Liabilities (See Note 17):	1 378 000	924 000
Post-retirement Medical Aid Benefits Liability	754 000	675 000
Long-term Service Liability	624 000	249 000
Total Provisions	1 378 000	924 000

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Advance Payments - Consumer debtors with credit balances	18 521 442	18 461 923
Bonus	2 098 894	2 022 911
Leave Accrual	8 643 346	8 080 919
Department of Community Safety & Transport Management - Licence fees	19 915 647	18 584 276
Other Payables	18 958 476	17 896 384
Control, Clearing and Interface Accounts	(508 667)	361 412
- Unallocated Deposits	19 467 143	17 534 973
Retentions	3 408 003	2 336 801
Trade Creditors	286 045 192	266 199 867
Payables and Accruals	286 045 192	266 199 867
Total Payables	357 591 000	333 583 080

The **prior year amount** for Payables from Exchange Transactions has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

	2021 R	2020 R
15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
15.1 Conditional Grants from Government	3 509 686	6 765 366
National Government	3 098 363	6 354 043
Private Enterprises	411 323	411 323
Total Conditional Grants and Receipts	3 509 686	6 765 366

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 23 for the reconciliation of Grants from Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

16. LONG-TERM LIABILITIES

Long-Term Liabilities	14 968 741	11 967 295
Finance Lease Liability	14 968 741	11 967 295
Less: Current Portion transferred to Current Liabilities:-	(8 209 469)	(9 415 414)
Finance Lease Liability	(8 209 469)	(9 415 414)
Non-Current Portion of Long-term Liabilities	6 759 271	2 551 881

The **prior year amount** for the current portion of Long-Term Liabilities has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

16.1 Summary of Arrangements

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

16.2 Obligations under Borrowings

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2020: 5 years). The effective interest rate on Finance Leases is between 1.42% and 35.87% (2020: 5% and 24%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2021 R	2020 R	2021 R	2020 R
Amounts payable under borrowings:				
Within one year	10 877 031	9 765 952	8 209 469	9 708 574
In the second to fifth years, inclusive	7 741 385	3 315 587	6 759 273	2 551 881
Over five years	-	-	-	-
	<u>18 618 416</u>	<u>13 081 539</u>	<u>14 968 741</u>	<u>12 260 455</u>
Less: Future Finance Obligations	(3 649 675)	(821 084)		
Present Value of Minimum Lease Obligations	<u>14 968 741</u>	<u>12 260 455</u>	<u>14 968 741</u>	<u>12 260 455</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(8 209 469)	(9 708 574)
Borrowings due for settlement after 12 months (Non-current Portion)			<u>6 759 273</u>	<u>2 551 881</u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles
- Electricity and water meters

Included in these classes are the following significant leases:

(i) Electrical and Water meters			
- Average period outstanding		63 months	63 months
- Average effective interest rate, based on prime		24%	24%
- Average monthly instalment		30% on monthly vending	30% on monthly vending
(ii) Vehicles - Sanpaul Trading Enterprise and Labour (Pty) Ltd			
- Instalments are payable monthly in arrears			
- Average period outstanding		36 months	36 months
- Average effective interest rate, based on prime		1.42%	5%
- Average monthly instalment		R 231 539.64	R 231 539.64
(ii) Office equipment - Solutions Pro (Pty) Ltd t/a Nashua Vryburg			
- Average period outstanding		36 months	-
- Average effective interest rate, based on prime		35.87%	-
- Average monthly instalment		R 114,200.00	-

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

16.3 Operating Lease: Tsantsabane Local Municipality as Lessee

Operating Leases relate to rental of office space (PMU offices) from Henque 4038 CC T/A PMG Elektries. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. This rental is classified as a contingent rentals due to an uncertain lease period. The operating lease payments are therefore not subject to straight-lining and it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13:

- no later than one year
- later than one year and not later than five years
- later than five years.

The municipality has operating lease agreements for the following classes of assets:

- Buildings

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Rental of Office Space:

- (i) The building shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.
- (iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

17. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability
Long Service Awards Liability

Less: Current Portion of Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability
Long Service Awards Liability

Non-Current Portion of Employee Benefit Liabilities

17.1 Post-retirement Health Care Benefits Liability

	2021 R	2020 R
	18 525 000	15 591 000
	14 536 000	11 963 000
	3 989 000	3 628 000
	(1 378 000)	(924 000)
	(754 000)	(675 000)
	(624 000)	(249 000)
	17 147 000	14 667 000
Opening balance	11 963 000	11 826 366
Interest cost	1 170 000	1 065 127
Current service cost	438 000	472 046
Actual employer benefit payments	(675 000)	(560 379)
Actuarial loss/ (gain) recognised in the year	1 640 000	(840 160)
Balance at end of Year	14 536 000	11 963 000
Transfer to Current Provisions	754 000	675 000
Total Post-retirement Health Care Benefits Liability	13 782 000	11 288 000

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr. Chanan Weiss, a member of the Actuarial Society of South Africa (ASSA) and managing member of ARCH Actuarial Consulting CC. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.</p> <p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	87	91
Continuation Members (Retirees, widowers and orphans)	18	15
Total Members	105	106
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	6 989 000	5 828 000
Continuation Members	7 547 000	6 135 000
Total Liability	14 536 000	11 963 000
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> - Bonitas - Keyhealth - LA Health - Samwumed <p>The Current-service Cost for the year ending 30 June 2021 is estimated to be R438 000, whereas the cost for the ensuing year is estimated to be R 607 000(30 June 2020: R472 046).</p> <p>The contributions expected to be paid to the plan during the annual period beginning after the reporting date (i.e. for the 2022 financial year):R 754,000.</p>		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.82%	
Health care cost inflation rate	6.70%	
Net Effective Discount Rate	2.92%	
Mortality Tables	SA 85-90	
Mortality tables post retirement	PA(90) -1 with a 1% mortality improvement p.a. from 2010	
Average retirement age for active employees	62	
Normal retirement age for active employees	65	

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	11 963 000	11 826 366
Interest cost	1 170 000	1 065 127
Current service cost	438 000	472 046
Actual employer benefit payments	(675 000)	(560 379)
Actuarial loss/ (gain) recognised in the year	1 640 000	(840 160)
Total Recognised Benefit Liability	<u>14 536 000</u>	<u>11 963 000</u>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	14 536 000	11 963 000
Fair value of plan assets	-	-
Total Benefit Liability	<u>14 536 000</u>	<u>11 963 000</u>
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1 170 000	1 065 127
Interest cost	438 000	472 046
Actuarial losses / (gains)	1 640 000	(840 160)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	<u>3 248 000</u>	<u>697 013</u>

The history of present values are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	14 536 000	11 963 000	11 826 366	10 715 000	10 175 000
Deficit	<u>14 536 000</u>	<u>11 963 000</u>	<u>11 826 366</u>	<u>10 715 000</u>	<u>10 175 000</u>

History of experienced adjustments: Gains and Losses (R millions)

Experienced adjustments are the effects of differences between the previous actuarial assumptions and what has occurred and were provided by the actuaries:

Experienced adjustments:

	2021 R	2020 R	2019 R	2018 R	2017 R
Liabilities: (Gains)/Loss	0.333	1.542	(0.109)	unknown	unknown
Assets: Gain/(Loss)	-	-	-	-	-

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 763 000	1 684 800
Effect on the defined benefit obligation	15 694 000	12 996 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 419 000	1 350 700
Effect on the defined benefit obligation	13 129 000	10 747 000
The effect of a 20% adjustments of mortality rates, is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 514 000	1 438 200
Effect on the defined benefit obligation	13 618 000	11 223 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 723 000	1 659 100
Effect on the defined benefit obligation	15 666 000	12 869 000

Refer to Note 46, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

17.2 Long Service Awards Liability

Opening Balance	3 628 000	3 706 690
Interest cost	256 000	276 377
Current service cost	381 000	382 394
Actual employer benefit payments	(249 000)	(600 949)
Actuarial loss/ (gain) recognised in the year	(27 000)	(136 512)
Balance at end of Year	3 989 000	3 628 000
Transfer to Current Provisions	624 000	249 000
Total Long Service Awards Liability	3 365 000	3 379 000

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Leave Award (working days) is received after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr. Chanan Weiss, a member of the Actuarial Society of South Africa (ASSA) and managing member of ARCH Actuarial Consulting CC. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

At year end, 226 (2020: 234) employees were eligible for Long-service Awards.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R			
The Current-service Cost for the year ending 30 June 2021 is estimated to be R 381 000, whereas the cost for the ensuing year is estimated to be R 347 000 (30 June 2020: R382 394).					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	8.98%				
General earnings inflation rate (long-term)	5.74%				
Net Effective Discount Rate	3.07%				
Mortality Tables	SA 85-90				
Average retirement age for active employees	62				
Normal retirement age for active employees	65				
Expected Rate of Salary Increase	4.00%	6.25%			
	2021 R	2020 R			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Opening Balance	3 628 000	3 706 690			
Interest cost	256 000	276 377			
Current service cost	381 000	382 394			
Actual employer benefit payments	(249 000)	(600 949)			
Actuarial loss/ (gain) recognised in the year	(27 000)	(136 512)			
Total Recognised Benefit Liability	3 989 000	3 628 000			
	2021 R	2020 R			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	3 989 000	3 628 000			
Fair value of plan assets	-	-			
Total Benefit Liability	3 989 000	3 628 000			
	2021 R	2020 R			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	381 000	382 394			
Interest cost	256 000	276 377			
Expected return on plan assets	-	-			
Expected return on reimbursement rights	-	-			
Actuarial losses / (gains)	(27 000)	(136 512)			
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	610 000	522 259			
The history of present values are as follows:					
	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	3 989 000	3 628 000	3 706 690	2 872 000	3 352 000
Deficit	3 989 000	3 628 000	3 706 690	2 872 000	3 352 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

History of experienced adjustments: Gains and Losses

Experienced adjustments are the effects of differences between the previous actuarial assumptions and what has occurred and were provided by the actuaries:

Experienced adjustments:

	2021 R	2020 R	2019 R	2018 R	2017 R
Liabilities: (Gains)/Loss	(41 000)	33 488	(108 782)	105 000	unknown
Assets: Gain/(Loss)	-	-	-	-	-

The effect of a 1% movement in the Normal Salary cost inflation is as follows:

	2021 R	2020 R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	681 000	706 900
Effect on the defined benefit obligation	4 216 000	3 857 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	596 000	615 400
Effect on the defined benefit obligation	3 781 000	3 420 000

The effect of a 20% movement in the assumed level of withdrawal rates, is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	601 000	619 300
Effect on the defined benefit obligation	3 815 000	3 452 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	675 000	702 300
Effect on the defined benefit obligation	4 177 000	3 820 000
	2021 R	2020 R

18. NON-CURRENT PROVISIONS

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	31 783 198	26 379 620
Total Non-current Provisions	<u>31 783 198</u>	<u>26 379 620</u>

The movement in Non-current Provisions are reconciled as follows:

Decommissioning of Landfill Sites

Opening Balance	26 379 620	29 687 953
Increases (Passage of Time/Discounted Rate)	5 403 578	(3 308 333)
Balance at end of year	<u>31 783 198</u>	<u>26 379 620</u>

The **prior year amount** for Non-current Provisions has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R40 129 563 (2020: R40 129 563) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur the following rehabilitation and closure costs on its two dumping/landfill sites:

	Proposed Rehabilitation		
Jenn Haven Landfill	2032/33	8 100 211	8 100 211
Boichoko Landfill	2025/26	32 029 352	32 029 352
		40 129 563	40 129 563

Key financial assumptions used in this calculation were as follows:

	Jenn Haven Landfill	Boichoko Landfill
CPI adjustment	4.8235%	4.8235%
Government Bond Rate used to determine the Present Value of the Formal Closure application process.	8.8235%	7.5735%
Net effective discount rate	4%	2.75%
Estimated total waste area to be rehabilitated	12,542m ²	108,653m ²
Estimated area that has already been used for dumping of waste	6,083m ²	48,490m ²

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
19. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	344 564 649	374 071 995
Total Accumulated Surplus	<u><u>344 564 649</u></u>	<u><u>374 071 995</u></u>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
20. PROPERTY RATES		
	Property Valuation as 30/06/2021 R	Property Valuation as 30/06/2020 R
Church	82 947 100	82 947 100
Commercial	804 906 000	804 906 000
Industrial	158 575 000	158 575 000
Mines	88 446 000	88 446 000
Municipal	361 073 000	361 073 000
Agriculture	5 433 211 200	5 433 211 200
Residential	2 837 952 300	2 837 952 300
Small holdings and farms	37 000 000	37 000 000
State	131 917 300	131 917 300
Total	<u>9 936 027 900</u>	<u>9 936 027 900</u>

	Actual Levies	
	2021 R	2020 R
Total Property Rates	<u>39 943 930</u>	<u>37 149 112</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect in the prior financial year i.e. 2019/20

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

The following rates in Rand were charged on the following properties:

Church	0.007494	0.007494
Commercial	0.011236	0.011236
Industrial	0.011236	0.011236
Mines	0.056770	0.056770
Municipal	0.007494	0.007494
Agriculture	0.000449	0.000449
Residential	0.007494	0.007494
Small holdings and farms	0.007494	0.007494
State	0.007494	0.007494

The first R 30,000 of the market value of all residential properties and indigents with a gross income of less than R 3 000 are exempt from the payment of rates. An additional rebate of 20% on property rates for pensioners applies subject to certain conditions.

No interest that is charged on arrear accounts.

The **prior year amount** for Property Rates has been restated for incorrect property rates calculated on some of the properties classified as mines (Refer to note 42.2).

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
21. FINES, PENALTIES AND FORFEITS		
Traffic Fines	89 200	124 600
Municipal	89 200	124 600
Other Fines	78	138
Overdue Books Fine	78	138
Total Fines, Penalties and Forfeits	89 278	124 738

	Non-Exchange Transactions 2021 R	Non-Exchange Transactions 2020 R
22. LICENCES AND PERMITS		
Road and Transport	963 766	842 075
Activities on Public Roads	363	385
Motor Vehicle Licence	963 403	841 305
Total Licences and Permits	963 766	842 075

23. TRANSFERS AND SUBSIDIES RECEIVED		
Capital Grants	20 279 860	12 438 895
Allocations In-kind	1 748 179	1 161 633
Monetary Allocations	18 531 680	11 277 262
Operational Grants	55 672 053	47 644 480
Allocations In-kind	1 948 651	-
Monetary Allocations	53 723 403	47 644 480
Total Government Grants and Subsidies	75 951 913	60 083 375

23.1 Capital Grants

		Allocations In-kind 2021	Allocations In-kind 2020	Monetary Allocations 2021	Monetary Allocations 2020
National Governments	MIG, WSIG & INEP	-	-	18 531 680	11 188 262
Provincial Government	Disaster Grant	-	-	-	89 000
Public contribution	Mines - note 53	1 748 179	1 161 633	-	-
Total Capital Grants Received		1 748 179	1 161 633	18 531 680	11 188 262

23.2 Operational Grants

		Allocations In-kind 2021	Allocations In-kind 2020	Monetary Allocations 2021	Monetary Allocations 2020
Departmental Agencies and Accounts	LG SETA	-	-	98 403	139 074
National Governments	EPWP & FMG	-	-	4 000 000	4 010 000
National Revenue Fund	Equitable share	-	-	48 525 000	39 037 000
Public contribution	Kolomela, Sishen	-	-	-	3 132 658
Provincial Government	PT & Library	1 948 651	-	1 100 000	1 325 748
Total Operational Grants Received		1 948 651	-	53 723 403	47 644 480

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
23.3 Reconciliation per Grant Source		
23.3.1 Provincial Treasury		
Balance unspent at beginning of year	-	-
Current year receipts	1 948 651	-
Conditions met - transferred to Revenue	(1 948 651)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

Grant received for payment of Audit fees

23.3.2 Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	2 000 000	-
Current year receipts	-	2 000 000
Conditions met - transferred to Revenue	(2 000 000)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>2 000 000</u>

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of infrastructure and rehabilitation of electricity infrastructure.

23.3.3 National Revenue Fund - Equitable Share

Current year receipts	48 525 000	39 037 000
Conditions met - transferred to Revenue	(48 525 000)	(39 037 000)
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

This grant has been used to fund operational expenses within the municipality.

	2021 R	2020 R
23.3.4 Sishen Iron Ore Financial Support Grant		
Balance unspent at beginning of year	411 323	411 323
Current year receipts	-	-
Conditions met - transferred to Revenue	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>411 323</u>	<u>411 323</u>

23.3.5 Provincial Government - Department of Arts & Culture (Library Grant)

Balance unspent at beginning of year	-	131 748
Current year receipts	1 100 000	1 194 000
Conditions met - transferred to Revenue	(1 100 000)	(1 325 748)
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

The grant is to be utilised for programme costs of the library and other costs as per library proposal. No funds have been withheld.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
23.3.6 National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	4 354 042	7 167 305
Current year receipts	15 276 000	15 542 000
Conditions met - transferred to Revenue: Operating Expenses	(763 800)	(596 241)
Conditions met - transferred to Revenue: Capital Expenses	(13 466 341)	(9 879 021)
Other Adjustments/Refunds	-	(7 167 000)
Conditions met - transferred to Revenue: Covid19 Expenses	(2 301 539)	(713 000)
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>3 098 362</u></u>	<u><u>4 354 042</u></u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

23.3.7 National: Municipal Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	2 880 000
Conditions met - transferred to Revenue	(3 000 000)	(2 880 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>-</u></u>	<u><u>-</u></u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

23.3.8 National: Department of Public Works - Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 130 000
Conditions met - transferred to Revenue	(1 000 000)	(1 130 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>-</u></u>	<u><u>-</u></u>

The grant is to be utilised for salary expenses for the expended Public Works Program in accordance with the national cleaning campaign.

23.3.9 Public contribution: Kolomela Mine

Balance unspent at beginning of year	-	-
Current year receipts	-	3 132 658
Conditions met - transferred to Revenue	-	(3 132 658)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>-</u></u>	<u><u>-</u></u>

The grant was paid to the municipality for general operations, and was not earmarked for specific purposes. The municipality utilised the funds for normal operational expenses.

23.3.10 Disaster Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	89 000
Conditions met - transferred to Revenue	-	(89 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u><u>-</u></u>	<u><u>-</u></u>

This grant is to be utilised to assist the Municipality in the response to Covid-19.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

23.3.11 LG SETA Mandatory Grant

Balance unspent at beginning of year	-	-
Current year receipts	98 403	139 074
Conditions met - transferred to Revenue	(98 403)	(139 074)
Other Adjustments/Refunds	-	-

Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>
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This grant is to be utilised by the Municipality for training.

24. SERVICE CHARGES

Sale of Electricity	53 567 581	47 244 226
Sale of Water	16 747 570	17 132 701
Refuse Removal	12 660 473	11 797 262
Sewerage and Sanitation Charges	23 468 807	23 342 233
Total Service Charges	<u>106 444 431</u>	<u>99 516 422</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

The **prior year amount** for Service Charges has been restated. Refer to note 42.2 on " Correction of Error" for details of the restatements.

25. SALES OF GOODS AND RENDERING OF SERVICES

Building Plan Approval	222 913	195 016
Cemetery and Burial	49 758	31 297
Library Fees	100	1 769
Photocopies and Faxes	67 157	62 951
Sale of Goods	30 696	1 378
Scrap, Waste & Other Goods	-	5 643
Total Sales of Goods and Rendering of Services	<u>370 625</u>	<u>298 055</u>

26. RENTAL FROM FIXED ASSETS

Investment Property	16 744	17 197
Other Fixed Assets	462 421	422 512
Property Plant and Equipment	<u>462 421</u>	<u>422 512</u>
Total Rental of Facilities and Equipment	<u>479 165</u>	<u>439 709</u>

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

The **prior year amount** for Rental from fixed assets has been restated for the recognition receivables from exchange transactions for the rental of municipal property. Refer to note 42.2 on " Correction of Error" for details of the restatement.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

27. INTEREST EARNED

Bank Account	47	14 889
Investments	684 880	871 863
	<u>684 926</u>	<u>886 753</u>

28. OPERATIONAL REVENUE

Administrative Handling Fees	218 475	168 130
Collection Charges	-	42 157
Incidental Cash Surpluses	463	2 429
Inspection Fees	27 807	26 468
Insurance Refund	31 335	-
Total Operational Revenue	<u>278 080</u>	<u>239 183</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

The **prior year amount** for Operational Revenue has been restated. Refer to note 42.2 on "Correction of Error" for details of the restatement.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
29. EMPLOYEE RELATED COSTS		
Salaries and Wages		
Basic	47 642 711	44 472 274
Bonusses	3 574 757	3 582 892
Leave Payments	1 046 494	1 511 983
Overtime	6 114 861	4 809 664
Allowances		
Housing Benefits	2 910 804	2 850 001
Standby Allowance	1 303 599	1 071 526
Travel or Motor Vehicle	4 739 333	4 151 186
Social Contributions		
Bargaining Council	29 948	28 724
Group Life Insurance	83 200	90 600
Medical	2 000 279	1 254 524
Pension	7 546 459	7 170 639
Unemployment Insurance	445 385	425 414
Post-retirement Benefit		
Current Service Cost	819 000	854 440
Interest Cost	1 426 000	1 341 504
Actuarial Gains and Losses	1 613 000	(696 891)
Total Employee Related Costs	81 295 831	72 918 480
No advances were made to employees.		
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager - H Mathobela		
Annual Remuneration	737 457	737 457
Car and Other Allowances	346 053	363 252
Total	1 083 510	1 100 709
Remuneration of the Acting Chief Financial Officer - JB Moselelane		
Annual Remuneration	-	170 221
Car and Other Allowances	-	18 767
Total	-	188 987

JB Moselelane acted in this position from 1 August 2018 till the end of July 2019.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
Remuneration of the Chief Financial Officer - LR Coakley		
Annual Remuneration	486 850	446 279
Car and Other Allowances	347 367	321 964
Company Contributions to UIF, Medical and Pension Funds		
Total	834 216	768 243

LR Coakley was appointed as the CFO from the 1st of August 2019.

Remuneration of the Director Corporate Services - IC Nkadamang		
Annual Remuneration	719 953	719 953
Car and Other Allowances	361 601	370 185
Total	1 081 554	1 090 138

Remuneration of the Acting Director: Technical Services - BLK Botha		
Annual Remuneration	94 465	659 602
Bonus	-	29 636
Car and Other Allowances	164 714	119 159
Total	259 179	808 398

BLK Botha has acted in this position from December 2018 till the end of September 2020.

Remuneration of the Director: Community Services - LL Theys		
Annual Remuneration	635 253	635 253
Car and Other Allowances	446 302	447 231
Total	1 081 554	1 082 484

Remuneration of the Director Technical services - RV Mlangeni		
Annual Remuneration	405 708	-
Car and Other Allowances	289 472	-
Total	695 180	-

Summary of Remuneration of Section 57 Employees:

All Managers	5 035 193	5 038 959
Total Remuneration of Section 57 Employees	5 035 193	5 038 959

Refer to Appendix G for more detail.

30. REMUNERATION OF COUNCILLORS	2021 R	2020 R
Executive Mayor	882 767	825 630
Speaker	711 988	685 414
Total for All Other Councillors	4 113 580	3 966 081
Total Councillors' Remuneration	5 708 335	5 477 125

Remuneration of Councillors:

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.

The Executive Mayor has use of a Council owned vehicle for official duties.

Refer to Appendix G for more detail.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

31. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	32 959 645	33 053 629
Amortisation: Intangible Assets	244 752	397 166

Total Depreciation and Amortisation	33 204 397	33 450 795
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31.1 Depreciation: Property, Plant and Equipment

Community Assets	1 030 548	1 046 247
Infrastructure	25 151 722	24 109 103
Buildings	2 904 912	3 778 241
Landfill site	967 003	967 003
Other Assets	2 905 460	3 153 035
	32 959 645	33 053 629

The **prior year amount** for Depreciation and Amortisation has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

32. IMPAIRMENT LOSSES

Impairment Losses on Fixed and Current Assets	953 901	2 446 168
Impairment Losses on Financial Assets	28 590 135	45 713 193

Total Impairment Losses	29 544 037	48 159 361
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32.1 Impairment Losses on Fixed & Current Asset

Impairment Losses

Investment Property	953 901	2 263 609
Property, Plant and Equipment	-	182 559
	953 901	2 446 168

The **prior year amount** for Impairment Losses has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

	2021	2020
	R	R
32.2 Impairment Losses on Financial Assets		
Impairment Losses		
Trade and Other Receivables from Exchange Transactions	18 038 137	34 499 044
Trade and Other Receivables from Non-exchange Transactions	10 551 998	11 214 149
	28 590 135	45 713 193

33. FINANCE COSTS

Interest Paid	12 683 120	13 748 671
Finance Leases	3 119 498	2 112 197
Interest costs non-current Provisions	5 403 578	(3 308 333)
Overdue Accounts	4 160 044	14 944 807
Total Finance Costs	12 683 120	13 748 671

The **prior year amount** for Interest paid has been restated to account for interest on overdue accounts. Refer to note 42 on "Correction of Error" for details of the restatement.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

34. BULK PURCHASES

Electricity	41 801 967	39 327 267
Water	21 032 039	19 861 058
Total Bulk Purchases	62 834 006	59 188 325

The **prior year amount** for bulk purchases has been restated for bulk purchases incorrectly recorded in the prior year. Refer to note 42 on "Correction of Error" for details of the restatement.

35. CONTRACTED SERVICES

Outsourced Services	5 750 840	7 093 930
Consultants and Professional Services	3 967 025	6 085 570
Contractors	12 121 602	8 220 732
Total Contracted Services	21 839 467	21 400 232

35.1 Outsourced Services

	2021	2020
	R	R
Business and Advisory	2 369 631	4 941 786
Drivers Licence Cards	177 671	67 449
Fire Services	28 979	-
Sewerage Services	3 174 559	2 084 695
	5 750 840	7 093 930

35.2 Consultants and Professional Services

	2021	2020
	R	R
Business and Advisory	2 630 458	5 477 050
Laboratory Services	188 650	170 840
Legal Cost	1 147 916	437 680
	3 967 025	6 085 570

35.3 Contractors

Maintenance of Buildings and Facilities	257 092	935 314
Maintenance of Equipment	2 624 512	120 955
Maintenance of Unspecified assets	2 121 473	1 731 058
Prepaid Electricity Vendors	5 035 491	4 516 253
Prepaid Water Vendors	772 440	813 052
Safeguard and Security	1 310 593	104 100
	12 121 602	8 220 732

The **prior year amount** for Contracted Services has been restated. Refer to Note 42 on "Correction of

36. INVENTORY CONSUMED

Consumables	1 534 092	1 766 914
Materials and Supplies	549 084	618 164
	2 083 176	2 385 078

The **prior year amount** for Inventory Consumed has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

37. OPERATING LEASES

Other Assets	1 188 112	2 299 211
Machinery, vehicles and equipment	1 188 112	2 299 211

38. OPERATIONAL COSTS

	2021	2020
	R	R
Included in General Expenses are the following:		
Advertising, Publicity and Marketing	124 526	414 411
Bank Charges, Facility and Card Fees	324 060	223 498
Communication	786 435	750 509
Entertainment	5 304	117 615
Eskom Connection Fees	82 668	-
External Audit Fees	4 517 008	2 909 387
External Computer Service	2 813 845	2 376 814
Indigent Relief	966 996	742 398
Insurance Underwriting	690 512	395 002
Licences	-	56 722
Municipal Services	2 699 138	2 181 822
Printing, Publications and Books	149 151	89 452
Professional Bodies, Membership and Subscription	963 674	1 250 298
Remuneration to Ward Committees	407 783	459 500
Road Worthy Test	189 232	-
Skills Development Fund Levy	678 295	623 622
Travel and Subsistence	407 248	442 988
Uniform and Protective Clothing	410 399	408 117
Workmen's Compensation Fund	-	1 050
Total Operational Costs	16 216 272	13 443 207

No other extra-ordinary expenses were incurred.

The **prior year amount** for Operational Costs has been restated. Refer to Note 42 on "Correction of errors" for details of the restatement.

39. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Fair Value adjustment Investment Property	17 134 700	-
Investment Property	-	-
Property, Plant and Equipment	(5 235 623)	(4 326 426)
Total Gains / (Losses) on Disposal of Capital Assets	11 899 077	(4 326 426)
Total Gains on Disposal of Capital Assets	17 134 700	-
Total Losses on Disposal of Capital Assets	5 235 623	4 326 426

40. DISCONTINUED OPERATIONS

No operations have been discontinued.

41. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2020/21 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 18 Segment Reporting
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 110 Living and Non-living Resources
- IGRAP 20 Accounting for Adjustments to Revenue

41.1 GRAP 18 - Segment Reporting

The Accounting Standard for Segment Reporting has been recognised in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 18.

Management has assessed the requirements of GRAP 18 and identified the following shortcomings preventing full disclosure in terms of the Accounting Standard:

- The municipality's accounting system has limitations that does not allow for segmental reporting on financial position, net assets and cash flow.
- The municipality is broadly organised into business units based on the nature of operations and the services they provide and the accounting system allows for reporting on these units on financial performance and capital assets.
- No individually material operating segments have been aggregated to form the reportable operating segments.
- The municipality does not monitor segments geographically.

Based on the above, management has concluded that the municipality will be able to report separate segments subject to the limitations listed above.

Management has evaluated the requirements of the Standard and it was found that no adjustments affecting Financial Position, Financial Performance, Net Assets or Cash Flows need to be made. Accordingly, the segmental information for Capital Assets and Financial Performance of the municipality is disclosed in the Annual Financial Statements. It is not practical to segmentize Financial Position and Cash Flow operations.

41.2 GRAP 34 - Separate Financial Statements

The Accounting Standard for Separate Financial Statements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 34.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 34.

41.3 GRAP 35 - Consolidated Financial Statements

The Accounting Standard for Consolidated Financial Statements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 35.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 35.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

41.4 GRAP 36 - Investments in Associates and Joint Ventures

The Accounting Standard for Investments in Associates and Joint Ventures not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 36.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 36.

41.5 GRAP 37 - Joint Arrangements

The Accounting Standard for Joint Arrangements not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 37.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 37.

41.6 GRAP 38 - Disclosure of Interests in Other Entities

The Accounting Standard for Disclosure of Interests in Other Entities not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 38.

The municipality has developed Accounting Policies to fully comply with GRAP 38. Management has evaluated the requirements of the Standard and it was found that no adjustments need to be made.

41.7 GRAP 110 - Living and Non-living Resources

The Accounting Standard for Living and Non-living Resources not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of GRAP 110.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with GRAP 110.

41.8 IGRAP 20 - Accounting for Adjustments to Revenue

The Accounting Interpretation for Accounting for Adjustments to Revenue not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the municipality as at 30 June 2021 in terms of IGRAP 20.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2021 and the Accumulated Surplus of prior years was not affected either.

41.9 GRAP 108 - Statutory receivables

Transitional Provisions

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Statutory Receivables that exists in the municipality's books at year-end are those relating to Property Rates, Fines and VAT receivable.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2022.

42. CORRECTION OF ERROR

A split between reclassifications and prior period errors are provided to ensure that a clear distinction is made between reclassification of items previously incorrectly disclosed within the Annual Financial Statements, whilst items classified as errors are those items which were factual errors in the prior year, affecting the measurement of such items. The title reclassification does not exclude previous judgement errors, but is rather presented separately in order to allow users to understand that these changes were identified as a consequence of continuously reviewing the accurate disclosure of the nature of transactions.

42.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2019	459 892 388
Correction of Error:-	
Write back of outstanding balance of the finance lease liability from Kwane Capital (Pty) Ltd against Accumulated Surplus as at 30 June 2019.	293 160
Adjustment for Exchange Payables not recorded in Prior Year against vote 6101/6111/6101	(6 288)
Recognition of Receivables from Exchange Transactions for the rental of municipal property.	289 816
Correction of WIP - INEP payment certificates for professional fees which were incorrectly capitalised as WIP	(750 000)
Restatement of prior year opening balances for Other Assets as per current year asset register	(45 054)
Restatement of prior year opening balances of Landfill Assets as per current year asset register	(3 385 775)
Transfer of WIP projects to Infrastructure Assets and capitalization of additional costs	5 308 075
Adjust Exchange Payables - Account for Unknown Deposits	(6 760 958)
Restatement of prior year opening balances of Landfill Provision according to revised report	382 485
Restatement of prior year opening balances of Landfill Assets according to revised report	(963 873)
Correct the VAT Receivable in the 2020 financial year with the SARS reduction in the debt owed by the Municipality.	(2 964 491)
Rounding Errors	- (8 602 904)
Restated Balances as at 30 June 2019	451 289 484
Transactions incurred for the Year 2019/20 : Previously Reported	(78 955 392)

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
Correction of Error:-		
Adjustment for VETA lease instalment incorrectly raised against Service charges and Payments made in advance.	(923 477)	
Adjustment for Bulk purchases incorrectly recorded in Prior Year	(1 739 130)	
Adjustment of Refuse Removal raised in error and corrected in Retained Earnings	(32 518)	
Adjustment of Sewerage Charges raised in error and corrected in Retained Earnings	454 941	
Adjustment of Water Sales raised in error and corrected in Retained Earnings	98 010	
Adjustment of Electricity Sales raised in error and corrected in Retained Earnings	(31 531)	
Adjustment of Sundry Revenue raised in error and corrected in Retained Earnings	5 475	
Adjustment of Property Rates raised in error and included in Retained Earnings	(25 257 803)	
Correction of Provision for doubtful debts on Property Rates raised in error and included in Retained Earnings.	25 148 372	
Adjustment for Exchange Payables not recorded in Prior Year against vote 6101/6111/6131	(141 028)	
Adjustment for Exchange Payables not recorded in Prior Year against vote 6101/6111/6101	(257)	
Recognition of Receivables from Exchange Transactions for the rental of municipal property.	101 896	
Interest adjustment on Landfill provision according to subsequent measurement.	(64 518)	
Recognition of VAT on revenue and expenses from GRID control regarding pre-paid water sales in 2020.	(275 280)	
Adjustment of Receivables from Non-Exchange Transactions for incorrect property rates calculated on some of the properties classified as mines.	5 058 087	
Restatement of prior year depreciation on Community Assets as per current year asset register	9 491	
Adjust VAT Receivable - Correction of Prior Year Retention	(2 263 609)	
Restatement of prior year depreciation and impairment losses on Other Assets as per current year asset register.	44 646	
Restatement of prior year depreciation on Landfill assets as per current year asset register	(938 142)	
Restatement of prior year depreciation on Infrastructure assets as per current year asset register including depreciation on wip transferred to Infrastructure assets.	(680 261)	
Restatement of prior year depreciation on Buildings as per current year asset register	(172)	
Property Rates - Correction of incorrect rates calculated on some of the properties classified as mines	(1 221 710)	
Correct prior year indigent relief amount with VAT that was not raised.	110 810	
Correction of interest on Provision for Rehabilitation of Landfill site according to revised report.	4 152 583	
Correction of prior year depreciation on Landfill Assets according to revised report.	123 028	
Rounding Errors	-	1 737 903
Restated Balances as at 30 June 2020		374 071 995

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

42.2 Reclassification of Revenue

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2019/20
Property Rates	58 570 538	-	58 570 538	(21 421 426)	37 149 112
Fines, Penalties and Forfeits	124 738	-	124 738	-	124 738
Licences and Permits - Non-exchange	842 075	-	842 075	-	842 075
Transfers and Subsidies	60 083 375	-	60 083 375	-	60 083 375
Service Charges	103 996 172	-	103 996 172	(4 479 750)	99 516 422
Sales of Goods and Rendering of Services	298 855	(800)	298 055	-	298 055
Rental from Fixed Assets	337 813	-	337 813	101 896	439 709
Interest Earned - External Investments	886 753	-	886 753	-	886 753
Operational Revenue	233 709	-	233 709	5 475	239 183
	225 374 028	(800)	225 373 228	(25 793 806)	199 579 422

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	Property Rates	Service Charges	Sale of Goods
Balance previously reported	58 570 538	103 996 172	298 855
Adjustment for VETA lease instalment incorrectly raised against Service charges and Allocation correction of a journal posted to Sale of Goods and services instead of Employee related cost.		(923 477)	(800)
Recognition of commission paid to Jimbos for prepaid electricity sales in 2020		196 491	
Adjustment of Refuse Removal raised in error and included in Retained Earnings		(32 518)	
Adjustment of Sewerage Charges raised in error and included in Retained Earnings		454 941	
Adjustment of Water Sales raised in error and included in Retained Earnings		98 010	
Adjustment of Electricity Sales raised in error and included in Retained Earnings		(31 531)	
Adjustment of Property Rates raised in error and included in Retained Earnings	(25 257 803)		
Recognition of commission paid to GRID Control for prepaid water sales in 2020		1 835 203	
Adjustment of Receivables from Non-Exchange Transactions for incorrect property rates calculated on some of the properties classified as mines	5 058 087		
Correction of Property Rates - Incorrect rates on some properties classified as mines			
	(1 221 710)		
Correction of Indigent Relief captured by the municipality as expenditure		(6 076 871)	
Restated Balance now reported	37 149 112	99 516 421	298 055
	Transfers and Subsidies	Rental from Fixed Assets	Operational Revenue
Balance previously reported	60 083 375	337 813	233 709
Adjustment of Rental Charges raised in Error			
Collection charges - unknown deposits accounted for as unallocated deposits			
Adjustment of Sundry Revenue raised in error and included in Retained Earnings			5 475
Recognition of Receivables from Exchange Transactions for the rental of municipal property.		101 896	
Restated Balance now reported	60 083 375	439 709	239 183

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

42.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2019/20
Employee Related Costs	72 919 280	(800)	72 918 480	-	72 918 480
Remuneration of Councillors	5 477 125	-	5 477 125	-	5 477 125
Depreciation and Amortisation	31 967 045	-	31 967 045	1 483 750	33 450 795
Impairment Losses	71 086 465	-	71 086 465	(22 927 105)	48 159 361
Finance Costs	17 814 335	-	17 814 335	(4 065 664)	13 748 671
Bulk Purchases	58 320 670	(871 476)	57 449 194	1 739 130	59 188 325
Contracted Services	19 860 765	10 536	19 871 301	1 528 931	21 400 232
Inventory Consumed	1 993 432	(10 536)	1 982 896	402 182	2 385 078
Operating Leases	2 299 211	-	2 299 211	-	2 299 211
Operational Costs	18 264 666	871 476	19 136 142	(5 692 935)	13 443 207
Loss on Disposal of PPE	4 326 426	-	4 326 426	0	4 326 426
	304 329 420	(800)	304 328 620	(27 531 708)	276 796 912

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Remuneration of Councillors	Finance Costs
Balance previously reported	72 919 280	5 477 125	17 814 335
Allocation correction of a journal posted to Sale of Goods and services instead of Employee related cost.	(800)		
Adjustment for Interest not recorded in Prior Year against vote 6101/6111/6131			22 401
Adjust Interest, Dividends and Rent on Land - Restatement of interest cost on Landfill provision according to subsequent measurement			64 518
Correction of interest on Provision for Rehabilitation of Landfill site according to revised report.			(4 152 583)
Restated Balance now reported	72 918 480	5 477 125	13 748 671

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Depreciation and Amortisation	Impairment Losses	Bulk Purchases
Balance previously reported	31 967 045	71 086 465	58 320 670
Correction of Bulk Purchases incorrectly recorded in prior year			1 739 130
Allocation correction of vote 0530/4383/0000 to Operational costs			(1 025 265)
Correction of Provision for doubtful debts on Property Rates raised in error and included in Retained Earnings		(25 148 372)	
Allocation correction of vote 0530/4101/0000 from Operational Costs			153 789
Restatement of prior year depreciation on Community Assets as per current year asset register	(9 491)		
Recognition of impairment losses on Investment Property		2 263 609	
Restatement of prior year depreciation and impairment losses on Other Assets as per current year asset register	(2 305)	(42 341)	
Restatement of prior year depreciation on Landfill assets as per current year asset register	938 142		
Restatement of prior year depreciation on Buildings as per current year asset register	172		
Restatement of prior year depreciation on Infrastructure assets as per current year asset register including depreciation on wip transferred to Infrastructure assets	680 261		
Correction of prior year depreciation on Landfill Assets according to revised report.	(123 028)		
Restated Balance now reported	33 450 796	48 159 361	59 188 325
	Contracted Services	Inventory Consumed	Operational Costs
Balance previously reported	19 860 765	1 993 432	18 264 666
Allocation correction of vote 0530/4383/0000 to Operational costs Municipal Services			1 025 265
Allocation correction of Vote 0521/3849/0000 to Contracted Services Maintenance			
	10 536	(10 536)	
Recognition of commission paid to Jimbos for prepaid electricity sales in 2020	196 491		
Adjustment for Payables not recorded in Prior Year against vote 6101/6111/6131	104 100		14 527
Adjustment for Payables not recorded in Prior Year against vote 6101/6111/6101	257		
Recognition of commission and contracted services paid to GRID Control for prepaid water sales in 2020	1 228 083		
Recognition of the payment for materials and supplies to GRID Control regarding prepaid water sales in 2020.		402 182	
Recognition of the payment for computer services to GRID Control regarding prepaid water sales in 2020.			480 218
Correct prior year indigent relief amount with VAT that was not raised.			(110 810)
Allocation correction of vote 0530/4101/0000 to Bulk Purchases			(153 790)
Correction of Indigent Relief captured by the municipality as expenditure			(6 076 870)
Restated Balance now reported	21 400 232	2 385 078	13 443 207

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

42.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2019/20 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2018/19
Current Assets					
Inventories	389 392	-	389 392	-	389 392
Receivables from Exchange Transactions	13 532 174	-	13 532 174	886 089	14 418 263
Receivables from Non-exchange Transactions	14 743 555	-	14 743 555	2 803 469	17 547 024
VAT Receivable	5 643 448	-	5 643 448	(3 108 797)	2 534 651
Cash and Cash Equivalents	15 292 314	-	15 292 314	-	15 292 314
Operating Lease Receivables	10 213	-	10 213	(0)	10 213
Non-Current Assets					
Property, Plant and Equipment	667 926 496	-	667 926 496	2 934 506	670 861 001
Intangible Assets	779 996	-	779 996	0	779 996
Investment Property	53 949 300	-	53 949 300	(2 263 609)	51 685 691
Heritage Assets	394 675	-	394 675	-	394 675
Current Liabilities					
Consumer Deposits	(2 412 558)	-	(2 412 558)	-	(2 412 558)
Payables from Exchange Transactions	(331 666 271)	-	(331 666 271)	(1 916 809)	(333 583 080)
Current employee benefits	(924 000)	-	(924 000)	-	(924 000)
Unspent Conditional Grants and Receipts	(6 765 366)	-	(6 765 366)	0	(6 765 366)
Current Portion of long term liability	(9 708 574)	-	(9 708 574)	293 160	(9 415 414)
Bank overdraft	(3 142 305)	-	(3 142 305)	(0)	(3 142 305)
Non-Current Liabilities					
Long-term Liabilities	(2 551 881)	-	(2 551 881)	-	(2 551 881)
Non-current Provisions	(19 886 610)	-	(19 886 610)	(6 493 009)	(26 379 620)
Employee Benefit Liabilities	(14 667 000)	-	(14 667 000)	-	(14 667 000)
Net Assets					
Accumulated Surplus / (Deficit)	(380 936 996)	-	(380 936 996)	6 865 001	(374 071 995)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Inventories	Exchange Receivables	Non- exchange Receivables	VAT
Balances previously published per AFS as at 30 June 2019	7 105 094	9 729 265	7 912 934	7 480 866
Adjustment for VAT on payables not recorded in Prior year against vote 6101/6111/6101				880
Recognition of Receivables from Exchange Transactions for the rental of municipal property.		289 816		
Correct the VAT Receivable in the 2020 financial year with the SARS reduction in the debt owed by the Municipality.				(2 964 491)
Balances now published per AFS as at 30 June 2019	7 105 094	10 019 081	7 912 934	4 517 255
Transactions incurred for the Year 2019/20	(6 715 702)	3 802 909	6 830 621	(1 837 418)
Adjustment for VETA lease instalment incorrectly raised against Service charges and Payments made in advance.			(923 477)	
Adjustment of Refuse Removal raised in error and included in Retained Earnings		(32 518)		
Adjustment of Sewerage Charges raised in error and included in Retained Earnings		454 941		
Adjustment of Water Sales raised in error and included in Retained Earnings		98 010		
Adjustment of Electricity Sales raised in error and included in Retained Earnings		(31 531)		
Adjustment of Sundry Revenue raised in error and included in Retained Earnings		5 475		
Adjustment of Property Rates raised in error and included in Retained Earnings			(25 257 803)	
Correction of Provision for doubtful debts on Property Rates raised in error and included in Retained Earnings			25 148 372	
Adjustment for VAT on payables not recorded in Prior year against vote 6101/6111/6131				17 794
Correction of VAT on Movable Assets not capitalised in 2020				1 491
Recognition of Receivables from Exchange Transactions for the rental of municipal property.		101 896		
Recognition of VAT on pre-paid water revenue from GRID Control in 2020.				(275 280)
Adjustment of Receivables from Non-Exchange Transactions for incorrect property rates calculated on some of the properties classified as mines			5 058 087	
Correction of Property Rates - Incorrect rates on some properties classified as mines			(1 221 710)	
Correct prior year indigent relief amount with VAT that was not raised.				110 810
Balances now published per AFS as at 30 June 2020	389 392	14 418 263	17 547 025	2 534 651

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	PPE	Intangible Assets	Investment Property	Heritage Assets
Balances previously published per AFS as at 30 June 2019	686 549 037	1 186 564	56 235 300	394 675
Restatement of Landfill provision according to subsequent measurement.	10 963 560			
Restatement of prior year opening balances for Other Assets as per current year asset register.	(45 054)			
Restatement of prior year opening balances of Landfill Assets as per current year asset register.	(3 385 775)			
Correction of WIP - INEP payment certificates for professional fees which were incorrectly capitalised as WIP.	(750 000)			
Correction of prior year Opening Balances of Infrastructure assets as per current year asset register.	(6 760 958)			
Transfer of WIP projects to Infrastructure Assets and capitalization of additional costs.	5 308 075			
Correction of prior year opening balances of Landfill Assets according to revised report.	(963 873)			
Balances now published per AFS as at 30 June 2019	690 915 012	1 186 564	56 235 300	394 675
Transactions incurred for the Year 2019/20	(18 622 541)	(406 568)	(2 286 000)	-
Correction of Movable Assets not capitalised in 2020	9 940			
Restatement of prior year depreciation on Community Assets as per current year asset register.	9 491			
Recognition of impairment losses on Investment Property			(2 263 609)	
Restatement of prior year depreciation and impairment losses on Other Assets as per current year asset register	44 646			
Restatement of prior year depreciation on Landfill assets as per current year asset register	(938 142)			
Restatement of prior year depreciation on Buildings as per current year asset register	(172)			
Restatement of prior year depreciation on Infrastructure assets as per current year asset register including depreciation on wip transferred to Infrastructure assets	(680 261)			
Correction of prior year depreciation on Landfill Assets according to revised report.	123 028			
Balances now published per AFS as at 30 June 2020	670 861 001	779 996	51 685 691	394 675

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Consumer Deposits	Exchange Payables	Current Employee benefits	Unspent Grants
Balances previously published per AFS as at 30 June 2019	(2 293 914)	(269 948 081)	(1 161 328)	(7 710 376)
Adjustment for Payables not recorded in Base Year against vote		(7 169)		
Balances now published per AFS as at 30 June 2019	(2 293 914)	(269 955 250)	(1 161 328)	(7 710 376)
Transactions incurred for the Year 2019/20	(118 644)	(61 718 190)	237 328	945 010
Correction of Bulk Purchases incorrectly recorded in prior year		(1 739 130)		
Adjustment for Payables not recorded in Prior Year against vote		(158 822)		
Adjustment for Payables not recorded in Prior Year against vote 6101/6111/6101		(257)		
Correction of Movable Assets not capitalised in 2020		(11 431)		
Balances now published per AFS as at 30 June 2020	(2 412 558)	(333 583 080)	(924 000)	(6 765 366)

	Current portion of LT Liabilities	Non-current Provisions
	(6 912 339)	(19 106 878)
Balances previously published per AFS as at 30 June 2019		
Write-back the outstanding balance of Kwane Capital against Accumulated surplus as at 30 June 2019.	293 160	
Restatement of Landfill provision according to subsequent measurement.		(10 963 560)
Restatement of prior year opening balances of Landfill Provision according to revised report		382 485
Balances now published per AFS as at 30 June 2019	(6 619 179)	(29 687 953)
Transactions incurred for the Year 2019/20	(2 796 235)	(779 732)
Interest adjustment on Landfill provision according to subsequent measurement.		(64 518)
Correction of interest on Provision for Rehabilitation of Landfill site according to revised report.		4 152 583
Balances now published per AFS as at 30 June 2020	(9 415 414)	(26 379 620)

43. CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
44. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(29 491 561)	(77 217 490)
Adjustment for:		
Correction of Prior Year Errors	(15 784)	2 022 936
Depreciation and Amortisation	33 204 397	33 450 795
Impairment Losses on Property, Plant and Equipment & Investment Property	953 901	2 446 168
Losses / (Gains) on Disposal of Property, Plant and Equipment	5 235 623	4 326 426
Contribution to Post-retirement Employee Benefits - Non-current	(559 000)	(349 341)
Contribution to Post-retirement Employee Benefits - Current	454 000	(237 328)
Provision for staff leave & bonus	638 411	1 301 646
Debt impairment - Provision for doubtful debts (Exchange)	18 038 137	34 499 044
Debt impairment - Provision for doubtful debts (Non-exchange - Rates)	10 536 196	11 073 741
Debt impairment - Provision for doubtful debts (Non-exchange - Fines)	15 802	140 408
Finance costs - Discounting of provision for rehabilitation of landfill site	5 403 578	(3 308 333)
Employee related cost - actuarial interest	1 426 000	1 341 504
Finance costs - finance leases	3 119 498	2 112 197
Fair value adjustment Investment Property	(17 134 700)	-
Employee related cost - Actuarial gains	1 613 000	(696 891)
Donation received from mine	(1 748 179)	(1 161 633)
Operating surplus before working capital changes	31 689 319	9 743 850
Decrease/(Increase) in Inventories	35 399	131 029
Decrease/(Increase) in Receivables from Exchange Transactions	(17 311 593)	(38 898 227)
Decrease/(Increase) in Receivables from Non-exchange Transactions - Rates	(8 308 138)	(22 905 895)
Decrease/(Increase) in Receivables from Non-exchange Transactions - Fines & Other	1 950 224	2 057 656
Decrease/(Increase) in VAT Receivable	(6 239 498)	1 982 604
Decrease/(Increase) in Operating Lease Receivables	10 213	12 586
Increase/(Decrease) in Consumer Deposits	63 271	118 645
Increase/(Decrease) in Payables from Exchange Transactions	23 369 509	62 326 184
Increase/(Decrease) in Conditional Grants and Receipts	(3 255 680)	(945 010)
Cash generated by / (utilised in) Operations	22 003 027	13 623 421

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

	2021 R	2020 R
Opening balance	611 027 294	527 862 567
Unauthorised Expenditure current year	44 750 238	83 164 727
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	<u>655 777 532</u>	<u>611 027 294</u>

There were no criminal/disciplinary steps taken for unauthorised expenditure during the year under review.

	Actual	Budget	Variance	Budgeted votes exceeded
2021:				
Vote 1: Financial Services	62 982 388	41 429 589	21 552 799	21 552 799
Vote 2: Community Services	29 989 573	38 202 237	(8 212 664)	-
Vote 3: Corporate Services	11 066 989	16 508 901	(5 441 912)	-
Vote 4: Technical Services	187 862 355	167 516 324	20 346 031	20 346 031
Vote 5: Executive and Council	16 282 108	13 430 700	2 851 408	2 851 408
	<u>308 183 412</u>	<u>277 087 751</u>	<u>31 095 661</u>	<u>44 750 238</u>

	Actual	Budget	Variance	Budgeted votes exceeded
2020:				
Vote 1: Financial Services	93 770 115	33 633 869	60 136 246	60 136 246
Vote 2: Community Services	34 429 555	31 808 251	2 621 304	2 621 304
Vote 3: Corporate Services	9 304 811	16 152 503	(6 847 692)	-
Vote 4: Technical Services	153 404 137	136 177 685	17 226 452	17 226 452
Vote 5: Executive and Council	15 462 980	12 282 254	3 180 726	3 180 726
	<u>306 371 598</u>	<u>230 054 562</u>	<u>76 317 036</u>	<u>83 164 728</u>

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

	2021 R	2020 R
Opening balance	68 721 990	56 519 289
Fruitless and Wasteful Expenditure current year	-	12 180 299
Fruitless and Wasteful Expenditure identified in current year relating to prior years	-	22 401
Expenditure investigated and approved by Council	-	-
To be recovered	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>68 721 990</u>	<u>68 721 990</u>

The Fruitless and wasteful expenditure has been restated.

Incident

Disciplinary Steps / Criminal Proceedings

Interest on late payment - Various Creditors - R3 678 114 (2020: R14,881,989)	Under Investigation. To be submitted to Council for condonement.
Interest on late payment - SARS - R481 930 (2020: R641 455)	Under Investigation. To be submitted to Council for condonement.

45.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

	2021 R	2020 R
Opening balance	44 880 943	38 420 068
Irregular Expenditure current year & previously reported	-	6 460 875
Irregular Expenditure prior year, but identified in current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	<u>44 880 943</u>	<u>44 880 943</u>

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

Opening Balance	3 670 370	2 628 745
Council Subscriptions	944 172	1 120 215
Amount Paid - current year	-	-
Amount Paid - previous years	(2 000 000)	(78 590)

Balance Unpaid (included in Creditors)

2 614 542	3 670 370
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46.2 Audit Fees

Opening Balance	5 394 166	2 983 567
Current year Audit Fee	5 539 694	3 644 099
Amount Paid - current year	(2 321 341)	-
Amount Paid - previous years	(2 815 201)	(1 233 500)

Balance Unpaid (included in Creditors)

5 797 318	5 394 166
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46.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. Not all VAT returns have been submitted by the due date throughout the year.

46.4 PAYE, Skills Development Levy and UIF

Opening Balance	2 588 799	958 628
Current year Payroll Deductions	11 810 861	10 656 273
Amount Paid - current year	(10 828 835)	(8 067 474)
Amount Paid - previous years	(2 588 799)	(958 628)

Balance Unpaid (included in Creditors)

982 026	2 588 799
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46.5 Pension and Medical Aid Deductions

Opening Balance	1 396 086	1 249 809
Current year Payroll Deductions and Council Contributions	17 496 958	16 278 531
Amount Paid - current year	(16 022 780)	(14 882 445)
Amount Paid - previous years	(1 396 086)	(1 249 809)

Balance Unpaid (included in Creditors)

1 474 178	1 396 086
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TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

46.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2021	Total	Outstanding up to 90 days	Outstanding more than 90 days
Daniels M	11 220	2 833	8 386
Keoremetswe KG	-	-	-
Ruiters AJ	2 618	2 282	336
Beets HA	4 428	4 280	148
Esau D	53 753	1 432	52 321
Swart JJ	12 761	7 054	5 707
Mabilo OM	1 024	625	399
Poto EE	1 444	1 444	-
Phete EEJ	20 752	1 809	18 944
Bicks EC	-	-	-
Tshabane IK	63 767	3 286	60 480
Mashila M	1 686	544	1 142
Saulus TJ	3 554	1 820	1 734
Total Councillor Arrear Consumer Accounts	177 006	27 409	149 597

30 June 2020	Total	Outstanding up to 90 days	Outstanding more than 90 days
Daniels M	8 240	2 973	5 267
Davids AR	85 252	5 369	79 884
Ruiters AJ	(5 297)	546	(5 843)
Julies WC	1 507	1 507	-
Esau D	50 725	1 398	49 327
Swart JJ	5 595	5 595	-
Mabilo OM	2 686	2 471	214
Poto EE	629	629	-
Phete EEJ	42 724	1 813	40 911
Modise KD	775	752	23
Tshabane IK	54 052	2 453	51 599
Mashila M	1 800	1 800	-
Saulus TJ	4 224	2 854	1 370
Total Councillor Arrear Consumer Accounts	252 912	30 161	222 751

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

46.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

30 JUNE 2021

Payee	Reference	Date	Deviation type	Amount
CAREN -JO COUTURE (PTY) LTD	15027163	2020/07/03	Deviation from 3 quotations	17 400
PAT & SONS WELDING AND PROJECT	15027166	2020/07/02	Strip and quotation	10 174
BELL	15027244	2020/07/16	Strip and quotation	21 570
GOVERNMENT PRINTING WORKS	15027249	2020/07/17	Sole service provider	1 754
KLK LANDBOU BEPERK	15027304	2020/07/14	Only 2 service providers	2 635
TRANSFORMER FIELD SERVICES	15027306	2020/07/10	Sole service provider	11 071
VISUAL PROJECTS	15027310	2020/08/05	Deviation from 3 quotations	69 750
DENMO MINING AND SUPPLIES	15027315	2020/08/05	Deviation from 3 quotations	101 181
DIE GHAAP	15027317	2020/08/12	Sole provider	3 335
ANDRE DE BEER PROK	15027392	2020/08/27	Sole provider	12 841
BORAKE NETSERVE (PTY) LTD	15027394	2020/08/28	Deviation from 3 quotations	9 130
HAARHOFFS INC.	15027395	2020/08/28	Sole provider	10 578
KATHU GAZETTE	15027403	2020/08/28	Sole provider	9 307
DIE GHAAP	15027404	2020/08/28	Sole provider	2 900
DIAMOND FIELD ADVERTISER	15027405	2020/08/28	Sole provider	7 965
VISUAL PROJECTS	15027407	2020/08/28	Deviation from 3 quotations	69 750
DENMO MINING & SUPPLIERS	15027449	2020/09/10	Deviation from 3 quotations	56 777
DIE GHAAP	15027450	2020/09/10	Sole provider	4 720
HI-Q	15027452	2020/09/10	Deviation from 3 quotations	3 769
NATIONAL BRAKE TESTING SERVICE	15027455	2020/09/10	Deviation from 3 quotations	10 696
URB STELSELDIENSTE (EDMS) BPK	15027456	2020/09/10	Sole provider	30 209
ZINCOVER D.I.Y	15027470	2020/09/23	Deviation from 3 quotations	12 545
PAT & SONS WELDING AND PROJECT	15027471	2020/09/23	Avaliability	6 783
DENMO MINING & SUPPLIERS	15027682	2020/09/10	Sole provider	36 388
THUSANO CONTRACTORS	15027688	2020/09/17	Deviation from 3 quotations	68 999
MEDIA 24 (DAILYSUN;BEELD;CITY	15027720	2020/10/15	Deviation from 3 quotations	47 700
LAN VISION GUESTHOUSE	15027728	2020/10/16	Deviation from 3 quotations	15 217
THE HAMPTON	15027729	2020/10/16	Avaliability	9 861
DENMO MINING & SUPPLIERS	15027731	2020/10/16	Sole provider	27 414
ZINCOVER D.I.Y	15027974	2020/10/29	Only 2 service providers	2 337
DENMO MINING & SUPPLIERS	15027988	2020/10/30	Sole provider	39 723
HI-Q	15027990	2020/10/23	Deviation from 3 quotations	4 797
RAKGWEBO GENERAL TRADING	15028051	2020/11/13	Deviation from 3 quotations	77 900
THUSANO CONTRACTORS	15028134	2020/11/30	Deviation from 3 quotations	23 780
ZINCOVER D.I.Y	15028135	2020/11/30	Only 2 service providers	11 223
AFRICAN OXYGEN LIMITED(AFROX)	15028149	2020/11/19	Sole provider	3 900
THUSANO CONTRACTORS	15028311	2020/11/27	Deviation from 3 quotations	68 998
SELNA MOTORS	15028321	2020/12/08	Deviation from 3 quotations	3 820
DENMO MINING & SUPPLIERS	15028322	2020/12/08	Deviation from 3 quotations	3 796
PAT & SONS WELDING AND PROJECT	15028336	2020/12/10	Deviation from 3 quotations	18 696
USTICA 1169 CC T/A THUSANO CON	15028614	2020/12/08	Only 2 service providers	39 600
SELNA MOTORS	15028616	2020/12/08	Avaliability	4 940
AUTOZONE	15028618	2020/12/17	Deviation from 3 quotations	23 478
PMG GLASS;RADIATORS & BRAKES	15028730	2020/12/24	Only 2 service providers	11 930
ZINCOVER D.I.Y	15028734	2020/12/24	Deviation from 3 quotations	6 291
MEDIA 24 (DAILYSUN;BEELD;CITY	15028741	2020/12/24	Sole Provider	20 940
CONWAY JOHNSON KURUMAN	15028760	2020/12/28	Deviation from 3 quotations	53 948
LEXIS NEXIS BUTTERWORTHS	15028767	2020/12/28	Sole Provider	6 414
KALAHARI DECOR	15028780	2020/12/03	Deviation from 3 quotations	72 917
KWAS SPARES	15028778	2021/01/05	Deviation from 3 quotations	2 174
SAIPA	15028779	2021/01/05	Sole Provider	5 389
KWAS SPARES	15028805	2021/01/05	Deviation from 3 quotations	2 174
RAKGWEBO GENERAL TRADING	15028824	2021/01/21	Deviation from 3 quotations	41 065
TRANSFORMER FIELD SERVICES	15028834	2021/01/26	Deviation from 3 quotations	15 000
ZINCOVER D.I.Y	15028837	2021/01/27	Avaliability	5 282
ZINCOVER D.I.Y	15028838	2021/01/27	Avaliability	2 724
LOKAY'S GROUP CONSTRUCTION	15028881	2021/01/27	Avaliability	54 000
WAITRIX TRADING (PTY) LTD	15028893	2021/02/05	Avaliability	13 370

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MOOKI'S SUPPLIERS (PTY) LTD	15028894	2021/02/05	Avaliability	3 913
MOVUSKY JOIN VENTURE	15028895	2021/02/05	Avaliability	89 565
MALIBOGO & SISTERS	15028901	2021/02/08	Deviation from 3 quotations	38 771
WAITRIX TRADING (PTY) LTD	15028902	2021/02/10	Avaliability	19 255
RAKGWEBO GENERAL TRADING	15028904	2021/02/10	Deviation from 3 quotations	28 350
ZINCOVER D.I.Y	15028905	2021/02/11	Only 2 service providers	23 308
WAITRIX TRADING (PTY) LTD	15028974	2021/02/23	Avaliability	11 574
ZINCOVER D.I.Y	15029014	2021/03/01	Only 2 service providers	63 571
RUFECO ENGINEERING (PTY) LTD	15029016	2021/03/04	Avaliability	22 174
WAITRIX TRADING (PTY) LTD	15029024	2021/03/05	Avaliability	11 574
DIE GHAAAP	15029251	2021/03/09	Sole and availability	2 124
TRANS ORANJE DRUKKERS	15029253	2021/03/09	Sole and availability	4 360
LITHOTECH	15029254	2021/03/09	Sole and availability	7 179
KATHU GAZETTE	15029255	2021/03/09	Sole and availability	3 936
COMPUBITS PMG	15029256	2021/03/09	Avaliability	9 128
THUSANO CONTRACTORS	15029257	2021/03/09	Deviation from 3 quotations	19 986
RAKGWEBO GENERAL TRADING	15029259	2021/03/09	Deviation from 3 quotations	13 200
RAKGWEBO GENERAL TRADING	15029264	2021/03/11	Deviation from 3 quotations	9 500
SELNA MOTORS	15029268	2021/03/12	Avaliability	10 154
RAKGWEBO GENERAL TRADING	15029292	2021/03/25	Deviation from 3 quotations	29 900
VISUAL PROJECTS	15029293	2021/03/25	Avaliability	27 000
MOVUSKY JOIN VENTURE	15029360	2021/04/08	Avaliability	11 096
SAIPA	15029479	2021/04/15	Sole Provider	5 524
MOCWANE ELEC AND PROJECTS	15029485	2021/04/15	Deviation from 3 quotations	46 087
DENMO MINING & SUPPLIERS	15029487	2021/04/15	Sole provider	21 054
THUSANO CONTRACTORS	15029488	2021/04/15	Deviation from 3 quotations	49 150
RAKGWEBO GENERAL TRADING	15029494	2021/04/19	Deviation from 3 quotations	23 800
PAT & SONS WELDING AND PROJECT	15029663	2021/05/14	only 2 service providers	15 652
ZINCOVER D.I.Y	15029673	2021/05/14	only 2 service providers	1 983
RAKGWEBO GENERAL TRADING	15029674	2021/05/14	Avaliability	77 900

Total: 2 033 792

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Payee	Reference	Date	Deviation type	Amount
Media 24 Beperk Ltd	15023958	29/07/2019	Impractical to obtain 3 quotes	91 287
Kathu Gazette	15024291	08/07/2019	Impractical to obtain 3 quotes	5 982
Die Ghaap	15023933	29/07/2019	Impractical to obtain 3 quotes	2 901
Diamond Field Advertiser	15024147	29/07/2019	Impractical to obtain 3 quotes	3 916
Grid Control Technologies	15024497	06/08/2019		2 513
A C Security	15024742	12/09/2019		23 199
Autozone	15024750	12/09/2019		12 474
Hi-Q	15024753	12/09/2019		41 515
Visual Projects	15024918	10/10/2019		161 965
Kathu Gazette	15024953	25/10/2019	Impractical to obtain 3 quotes	10 074
A C Security	15024954	25/10/2019		6 800
Microchip Security Solution	15025036	31/10/2019		110 170
Road Lodge	15024913	10/10/2019		2 190
Bishops Lodge Kimberley	15024928	14/10/2019		9 600
Devereux Lodge And Villas	15024938	18/10/2019		11 760
The Hampton	15024934	18/10/2019		8 000
Media 24 Beperk/Limited	15025112	22/11/2019	Impractical to obtain 3 quotes	12 461
Media 24 Beperk/Limited	15025382	01/11/2019	Impractical to obtain 3 quotes	36 207
The Hampton	15025384	01/11/2019		50 000
Kathu Gazette	15025389	14/11/2019	Impractical to obtain 3 quotes	6 323
Red Sands Country Lodge	15025110	22/11/2019	Impractical to obtain 3 quotes	60 000
Devereux Lodge and Villas	15025041	01/11/2019		49 000
Microchip Security Solution	15025138	28/11/2019		94 875
Robust Road Repair Pty Ltd	15025422	06/12/2019	Availability of service	12 461
A C Security	15025685	08/01/2020	Availability of service	7 000
Die Ghaap	15025695	08/01/2020	Impractical to obtain 3 quotes	8 104
Visual Projects	15025720	22/01/2020	Availability of service	69 869
Bell	15025727	30/01/2020	Availability of service	82 689
Thusano Contractors	15025685	14/02/2020	Availability of service	7 000
Klk Landbou Beperk	15026420	02/04/2020	Availability of service	5 960
Dragon Loo	15026519	03/04/2020	Covid-19 response	54 602
Dragon Loo	15026524	30/04/2020	Covid-19 response	102 419
Kathu Gazette	15026674	15/05/2020	Impractical to obtain 3 quotes	8 059
Diamond Field Advertiser	15026684	26/05/2020	Impractical to obtain 3 quotes	2 931
Pat & Sons Welding and Project	15026701	29/05/2020		11 700
Total:				1 186 005

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

46.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2021	Unaccounted Electricity Losses	6 815 103	1.3394	9 128 101
30 June 2020	Unaccounted Electricity Losses	8 091 573	1.2204	9 875 163

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2021 R	2020 R
Volumes in kWh/year:		
System Input Volume	31 209 640	31 636 752
Billed Consumption	24 394 536	23 545 179
Distribution Loss	6 815 103	8 091 573
Percentage Distribution Loss	21.84%	25.58%

Water:

		Lost Units	Tariff	Value
30 June 2021	Unaccounted Water Losses	1 625 011	8.33	13 533 012
30 June 2020	Unaccounted Water Losses	1 578 532	8.15	12 863 727

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Volumes in Kl/year:

System Input Volume	2 525 476	2 384 640
Billed Consumption	888 364	794 967
Inventory water stock level	12 101	11 141
Distribution Loss	1 625 011	1 578 532
Percentage Distribution Loss	64.34%	66.20%

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Property Plant and Equipment - Infrastructure assets

8 723 365	13 552 468
8 723 365	13 552 468

This expenditure will be financed from:

Government Grants

8 723 365	13 552 468
8 723 365	13 552 468

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 16.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

48. FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Electricity	Amortised cost	2 994 553	3 675 024
Refuse	Amortised cost	1 568 472	1 392 126
Sewerage	Amortised cost	4 023 274	3 907 085
Water	Amortised cost	4 077 577	3 902 910
Property Rental Debtors	Amortised cost	482 269	995 545
Other Debtors	Amortised cost	545 574	545 574
Cash and Cash Equivalents			
Call Deposits	Amortised cost	8 418 539	15 265 012
Bank Balances	Amortised cost	372 207	25 302
Cash Floats and Advances	Fair Value	2 006	2 000
SUMMARY OF FINANCIAL ASSETS		2021	2020
		R	R
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	2 994 553	3 675 024
Receivables from Exchange Transactions	Refuse	1 568 472	1 392 126
Receivables from Exchange Transactions	Sewerage	4 023 274	3 907 085
Receivables from Exchange Transactions	Water	4 077 577	3 902 910
Receivables from Exchange Transactions	Property Rental Debtors	482 269	995 545
Receivables from Exchange Transactions	Other Debtors	545 574	545 574
Cash and Cash Equivalents	Call Deposits	8 418 539	15 265 012
Cash and Cash Equivalents	Bank Balances	372 207	25 302
		22 482 465	29 708 577
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	2 006	2 000
Total Financial Assets		22 484 471	29 710 577

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Lease Liability	Amortised cost	6 759 272	2 551 881
Payables from Exchange Transactions			
Other Payables	Amortised cost	(508 667)	361 412
Retentions	Amortised cost	3 408 003	2 336 801
Trade Creditors	Amortised cost	305 960 838	284 784 143
Bank Overdraft	Amortised cost	1 644 553	3 142 305
Consumer Deposits	Amortised cost	2 475 829	2 412 558
Current Portion of Long-term Liabilities			
Finance Lease Liability	Amortised cost	8 209 469	9 415 414
		327 949 297	305 004 513
SUMMARY OF FINANCIAL LIABILITIES		2021	2020
		R	R
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liability	6 759 272	2 551 881
Payables from Exchange Transactions	Other Payables	(508 667)	361 412
Payables from Exchange Transactions	Retentions	3 408 003	2 336 801
Payables from Exchange Transactions	Trade Creditors	305 960 838	284 784 143
Bank Overdraft	Bank Overdraft	1 644 553	3 142 305
Consumer Deposits	Consumer Deposits	2 475 829	2 412 558
Current Portion of Long-term Liabilities	Finance Lease Liability	8 209 469	9 415 414
Total Financial Liabilities		327 949 297	305 004 513

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

48.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2021		30 June 2020	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	22 482 465	22 482 465	29 708 577	29 708 577
Receivables from Exchange Transactions	13 691 719	13 691 719	14 418 263	14 418 263
Call Deposits	8 418 539	8 418 539	15 265 012	15 265 012
Bank Balances	372 207	372 207	25 302	25 302
Measured at Fair Value	2 006	2 006	2 000	2 000
Cash and Cash Equivalents	2 006	2 006	2 000	2 000
Total Financial Assets	22 484 471	22 484 471	29 710 577	29 710 577
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	327 949 297	327 949 297	305 004 513	305 004 513
Finance Lease Liability	6 759 272	6 759 272	2 551 881	2 551 881
Trade and Other Payables:				
-Payables from Exchange Transactions	308 860 174	308 860 174	287 482 355	287 482 355
-Current Portion of Long-term Liabilities	8 209 469	8 209 469	9 415 414	9 415 414
Consumer Deposits	2 475 829	2 475 829	2 412 558	2 412 558
Bank Overdraft	1 644 553	1 644 553	3 142 305	3 142 305
Total Financial Liabilities	327 949 297	327 949 297	305 004 513	305 004 513
Total Financial Instruments	(305 464 826)	(305 464 826)	(275 293 937)	(275 293 937)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2021

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	2 006	-	2 006
Total Financial Assets	<u>-</u>	<u>2 006</u>	<u>-</u>	<u>2 006</u>
Total Financial Instruments	<u>-</u>	<u>2 006</u>	<u>-</u>	<u>2 006</u>

30 June 2020

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	2 000	-	2 000
Total Financial Assets	<u>-</u>	<u>2 000</u>	<u>-</u>	<u>2 000</u>
Total Financial Instruments	<u>-</u>	<u>2 000</u>	<u>-</u>	<u>2 000</u>

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2020.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Gearing Ratio

	2021 R	2020 R
The gearing ratio at the year-end was as follows:		
Debt	16 613 294	15 109 600
Cash and Cash Equivalents	(8 792 752)	(15 292 314)
Net Debt	<u>7 820 542</u>	<u>(182 714)</u>
Equity	<u>344 564 650</u>	<u>374 071 995</u>
Net debt to equity ratio	<u>2.27%</u>	<u>-0.05%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

48.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

48.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 45.8 to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank and Standard Bank. No investments with a tenure exceeding twelve months are made.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

48.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank and Standard Bank. No investments with a tenure exceeding twelve months are made.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2021 R	2020 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	258 753 662	241 442 069
Bank, Cash and Cash Equivalents	7 146 193	12 148 008
Maximum Credit and Interest Risk Exposure	265 899 854	253 590 077

	2021 R	2020 R
Bank and Cash Balances		
ABSA Bank Ltd	8 616 880	8 285 357
First National Bank	4 039	735 950
Standard Bank	171 833	6 271 006
Total Bank and Cash Balances	8 792 752	15 292 314

48. FINANCIAL INSTRUMENTS (Continued)

48.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, 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 risk 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.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	R	R	R	R		R
30 June 2021							
Non-interest Bearing		308 860 174	308 860 174	-	-	-	-
- Payables from Exchange transactions	14	308 860 174	308 860 174	-	-	-	-
Fixed Interest Rate Instruments		16 613 294	5 347 433	4 506 590	6 759 272	-	-
- Current Portion of Long-term Liabilities	16	8 209 469	4 525 156	3 684 313	-	-	-
- Non-Current Portion of Long-term Liabilities	16	6 759 272			6 759 272	-	-
Bank Overdraft		1 644 553	822 277	822 277			
Consumer Deposits		2 475 829	1 237 915	1 237 915	-	-	-
		327 949 297	315 445 521	5 744 504	6 759 272	-	-
30 June 2020							
Restated:							
Non-interest Bearing		287 482 355	287 482 355	-	-	-	-
- Payables from Exchange transactions	14	287 482 355	287 482 355	-	-	-	-
Fixed Interest Rate Instruments		15 109 600	5 750 053	6 087 667	3 271 880	-	-
- Current Portion of Long-term Liabilities	16	8 695 415	4 178 901	4 516 514	-	-	-
- Non-Current Portion of Long-term Liabilities	16	3 271 880			3 271 880	-	-
Bank Overdraft		3 142 305	1 571 153	1 571 153			
Consumer Deposits		2 412 558	1 206 279	1 206 279	-	-	-
		305 004 513	294 438 688	7 293 946	3 271 880	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	R	R	R	R		R
30 June 2021							
Non-interest Bearing		13 693 725	13 693 725	-	-	-	-
- Trade Receivables from Exchange Transactions	3	13 691 719	13 691 719	-	-	-	-
- Cash and Cash Equivalents	6	2 006	2 006	-	-	-	-
Variable Interest Rate Instruments		8 790 746	8 790 746	-	-	-	-
- Call Deposits	6	8 418 539	8 418 539	-	-	-	-
- Bank Account	6	372 207	372 207	-	-	-	-
		22 484 471	22 484 471	-	-	-	-
30 June 2020							
Non-interest Bearing		14 420 263	14 420 263	-	-	-	-
- Trade Receivables from Exchange Transactions	3	14 418 263	14 418 263	-	-	-	-
- Cash and Cash Equivalents	6	2 000	2 000	-	-	-	-
Variable Interest Rate Instruments		15 290 313	15 290 313	-	-	-	-
- Call Deposits	6	15 265 012	15 265 012	-	-	-	-
- Bank Account	6	25 302	25 302	-	-	-	-
		29 710 577	29 710 577	-	-	-	-

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R 2,551.9 (30 June 2012: R 1,371.3) million, with a funding level of 101.08% (30 June 2012: 100.45% (as per revised data reconstruction)). The contribution rate paid by the members (9%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

The actuaries certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

National Fund for Municipal Workers

The last statutory valuation was performed as at 30 June 2015.

The net assets available for benefits were R 10,050 (2014: R 9,032) million.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R 10,050,029,000 and the fund had a surplus of R 41.8 (30 June 2014: R 9.3) million, with a funding levels of R 100.42% (30 June 2014: (100,10%). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be financially sound.

SALA Pension Fund:

The last statutory valuation was performed as at 1 July 2018.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298.6 (1 July 2015: R 13,231.2) million, with funding levels of 96% (1 July 2015: 100%). The contribution rate paid by the members (9%) and Council (18%). The drop in the funding level could be regarded as the result of short term fluctuations and therefore they do not consider it necessary at that stage to reduce benefits and/or to increase contribution rates in order to restore the funding level.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA Retirement Fund (previously Cape Joint Pension Fund):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2019.

The actuarial review included in the 2019 Annual Report, revealed the following:

The DC section has a funding level of 100% and is in a sound financial position. The pensioners account was 100.7% funded with a surplus of R 68 million as at 30 June 2019. Overall the Fund is in a sound financial condition as at 30 June 2019. The contribution rate paid by the members is 9,00% and the municipality is 18,00%.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Retirement Fund

The last statutory valuation was performed as at 30 June 2017. The fund provides defined contribution benefits to its active members and deferred members.

For Contract Employees and Councillors, the Participating Employer contribution rate is 18% of salary. The member contribution rate is 9% of salary.

The actuarial review included in the 2019 Annual Report, revealed the following:

Members Share Account: The largest of the accounts is the Member's Share Account representing the total Member's Share of the Fund of R 25.3 billion (30 June 2018: R 23.2). The Member's Share Account of the Fund was in a sound financial condition as at 30 June 2019 with a funding level of 100.3% (30 June 2018: 100.4%).

Reserve Account: The fund maintained R 65.7 million as at 30 June 2019 in reserve accounts to meet the special death after retirement benefit and unforeseen contingencies.

Pension Account: The Pension Account represents assets of R 647 million set aside to meet pension payments, increases on those payments and any bonuses granted to pensioners. The pensioner liability was R 481 million as at 30 June 2019. The Pension Account was in a sound financial condition and the funding level decreased from 128% as at 30 June 2018 to 124.9% as at 30 June 2019.

The fund was certified to be in sound financial position as at 30 June 2019. All accounts of the Fund had a funding level (assets divided by liabilities) of at least 100%.

Municipal Workers Retirement Fund (Previously SAMWU National Provident Fund)

The valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2,455,947 million (30 June 2005: R 1,511,461 million) with funding levels of 100% (30 June 2005: 100%). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund is certified to be financially sound as at 30 June 2008.

None of the above mentioned plans are State Plans.

50. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

50.1 Related Party relationships

Councillors:

Ward	Surname	Initials
1	Poto	EE
2	Daniels	M
3	Phete	EEJ
4	Keoremetswe	KG
5	Tshabane	IK
6	Mashila	M
7	Saulus	TJ
Proportional	Beets	HA
Proportional	Ruiters	AJ
Proportional	Bicks	EC
Proportional	Esau	D
Proportional	Swart	JJ
Proportional	Mabilo	OM

Directors:

	Surname	Initials
Municipal Manager	Mathobela	H
Chief Financial Officer	Coakley	LR
Director Corporate Services	Nkadimang	IC
Director Technical Services	Mlangeni	RV
Director Community Development	Theys	JJ
Acting Director Technical Services	Botha	BLK

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

50.2 Services rendered to Related Parties

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

		Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
Year ended 30 June 2021					
Councillors		26 558	109 203	-	177 006
Municipal Manager and Section 57 Personnel		202	54 853	121 642	23 470
Total Services		26 761	164 056	121 642	200 477
Executive Mayor (Ward 6)	Mashila M	-	10 030	-	1 686
Councillor: Proportional	Bicks EC	-	-	-	-
Councillor: Proportional	Ruiters AJ	375	7 541	-	2 618
Councillor: Proportional	Beets HA	9 592	9 078	-	4 428
Councillor: Proportional	Esau D	3 747	6 406	-	53 753
Councillor: Proportional	Swart JJ	8 393	14 916	-	12 761
Councillor: Proportional	Mabilo OM	270	6 809	-	1 024
Councillor: Ward 1	Poto EE	-	7 896	-	1 444
Councillor: Ward 2	Daniels M	944	14 969	-	11 220
Councillor: Ward 3	Phete EEJ	2 765	7 828	-	20 752
Councillor: Ward 4	Keoremetswe KG	-	-	-	-
Councillor: Ward 5	Tshabane IK	202	16 016	-	63 767
Councillor: Ward 7	Saulus TJ	270	7 714	-	3 554
Section 57 Personnel:					
Municipal Manager	Mathobela H	-	6 638	40 547	4 298
Chief Financial Officer	Coakley LR	-	9 131	40 547	4 401
Director Corporate Services	Nkadamang IC	202	11 315	-	4 654
Director Technical Services	Mlangeni RV	-	-	-	-
Acting Director Corporate Services	Botha BLK	-	-	-	-
Director Community Development	Theys JJ	-	27 769	40 547	10 117
		26 761	164 056	121 642	200 477
		Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
Year ended 30 June 2020					
Councillors		19 859	128 917	-	252 912
Municipal Manager and Section 57 Personnel		118	80 987	87 853	29 692
Total Services		19 977	209 903	87 853	282 604
Executive Mayor (Ward 6)	Mashila M	-	9 472	-	1 800
Councillor: Proportional	Davids AR	2 866	14 543	-	85 252
Councillor: Proportional	Ruiters AJ	281	6 185	-	(5 297)
Councillor: Proportional	Julies WC	3 876	6 185	-	1 507
Councillor: Proportional	Esau D	3 747	7 874	-	50 725
Councillor: Proportional	Swart JJ	6 295	18 086	-	5 595
Councillor: Proportional	Mabilo OM	-	11 916	-	2 686
Councillor: Ward 1	Poto EE	-	7 549	-	629
Councillor: Ward 2	Daniels M	551	13 310	-	8 240
Councillor: Ward 3	Phete EEJ	1 613	6 235	-	42 724
Councillor: Ward 4	Modise KD	354	6 185	-	775
Councillor: Ward 5	Tshabane IK	118	13 778	-	54 052
Councillor: Ward 7	Saulus TJ	157	7 597	-	4 224

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Section 57 Personnel:

Municipal Manager	Mathobela H	-	6 185	40 547	5 789
Chief Financial Officer	Coakley LR	-	30 113	6 758	9 425
Acting Chief Financial Officer	Moselelane JB	-	-	-	-
Director Corporate Services	Nkadimang IC	118	10 665	-	5 036
Director Technical Services	Links MC	-	-	-	-
Acting Director Corporate Services	Botha BLK	-	-	-	-
Director Community Development	Theys JJ	-	34 023	40 547	9 442
			19 977	209 903	87 853
					282 604

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The related party note has been restated to reflect the values of the levies for the year for the Property Rates, Service Charges and Other Receivables for the year and not the closing balances at year end.

50.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by Tsantsabane Local Municipality.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

2021:

Remuneration of the family of key management personnel and councillors that are employed at the municipality:

Directors	Names	Family Member	Department	Relationship	Remuneration
Director Corporate Services	Nkadimang IC	Nkadimang, KB	Community	Wife	347 972.45
Councillors	Names	Family Member	Department	Relationship	Remuneration
Executive Mayor (Ward 2)	Daniels M	Daniels S	Technical	Husband	177 552.33

2020:

Remuneration of the family of key management personnel and councillors that are employed at the municipality:

Directors	Names	Family Member	Department	Relationship	Remuneration
Director Corporate Services	Nkadimang IC	Nkadimang, KB	Community	Wife	323 697.03
Councillors	Names	Family Member	Department	Relationship	Remuneration
Executive Mayor (Ward 2)	Daniels M	Daniels S	Technical	Husband	141 829.58
Councillors	Names	Family Member	Department	Relationship	Remuneration
Councillor (Proportional)	Davids AR	Williams SF	Finance	Cousin	443 836.73

50.5 Transactions with key management personnel or close family members of persons in the service of the state

The municipality traded with the following companies and individuals, which are considered to be Related Parties:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2021:

Company/Individual	Tsantsabane employee	Department	Relation of Tsantsabane employee to company owner(s)	Designation	Amount of award R
M Suez Trading Trading	Susan Moetsi	Mayor's Office	Owner is a Municipal Employee	Cleaner/General Worker	-
Molema M Caterings	Karabo Molema	Corporate Services	Owner is a Municipal Employee	Archieve Clerk	-
Reakopa General Trading	Lesego Morwe & Gladys Witbooi	Executive and Council	Owner is a Municipal Employee	Speaker's Drive and Secretary of Municipal Manager	-
Caren Jo Couture (Pty)Ltd	Theys JJ	Community Services	Husband	Director Community Services Councillor	-
Green Tag Recycling Waste Management	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-
Tsantsabane Recycling Waste Management and Civil (Pty) Ltd	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-
Janline General Trading t/a Hi-Q Postmasburg	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	38 857.67

2020:

Company/Individual	Tsantsabane employee	Department	Relation of Tsantsabane employee to company owner(s)	Designation	Amount of award R
M Suez Trading Trading	Susan Moetsi	Mayor's Office	Owner is a Municipal Employee	Cleaner/General Worker	-
Molema M Caterings	Karabo Molema	Corporate Services	Owner is a Municipal Employee	Archieve Clerk	-
Reakopa General Trading	Lesego Morwe & Gladys Witbooi	Executive and Council	Owner is a Municipal Employee	Speaker's Drive and Secretary of Municipal Director	-
Caren Jo Couture (Pty)Ltd	Theys JJ	Community Services	Husband	Director Community Services Councillor	20 010.00
Green Tag Recycling Waste Management	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-
Tsantsabane Recycling Waste Management and Civil (Pty) Ltd	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-
Janline General Trading t/a Hi-Q Postmasburg	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	148 356.79

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

50.6 Entities under the control of management or councillors

Designation	Surname	Official Initials	Entity
Chief Financial Officer	Coakley	L	C2M Investments (Pty) Ltd
Councillor	Maria	D	Jayline General Trading t/a Hi-Q
Director	Nkadimang	IC	Monyaka Waboikanyo
Councillor	Davids	AR	ARD Mining Services, ARD Advisory Services & Postmasburg Register
Cleaner/General Worker	Moetsi	S	Molema M Caterings
Archieve Clerk	Molema	K	Reakopa General Trading
Councillor	Daniels	M	Tsantsabane Recycling Waste Management and Civil (Pty) Ltd
Councillor	Daniels	M	Greentag Recycling
Driver	Morwe	L	Caren Jo Couture (Pty)Ltd
Secretary	Witbooi	G	Caren Jo Couture (Pty)Ltd
Director (wife)	Theys	J	Caren Jo Couture (Pty)Ltd
Director (wife)	Theys	J	Rose Gold Projects and Events
Councillor	Phete	EEJ	Keorapetsi Avenue/Trading & Gaoba Consultants and General Trading
Councillor	Esau	D	Tsantsa Test Pty Ltd
Municipal Manager	Mathobela	H	Africa Daiz CC
Municipal Manager	Mathobela	H	MNN Resources CC
Councillor	Mabilo	OM	Bopelo Jwa Ga Mabilo
Councillor	Mabilo	OM	TCF Funeral
Councillor	Mabilo	OM	Olemima (Pty) Ltd
Councillor	Mabilo	OM	Mabamosa (Pty Ltd
Councillor	Bicks	EC	Bophepha Enter Projects

51. CONTINGENT LIABILITIES

Contingent Liabilities arose due to various claims brought against the Municipality. All the claims are being contested based on legal advice. The likelihood of successfully defending the claims, as well as the timing and possible costs thereof are uncertain and cannot be determined at this time.

51.1 Court Proceedings:

21 830 535

21 858 405

(i) Breach of Contract:

The municipality is involved in litigation with AXSYS Infrastructure (Pty) Ltd / 20Twenty Projects (Pty) Ltd relating to service agreement termination and non payment by the municipality. Both claims emanates from a contract concluded with the Municipality and Axys/20Twenty on 1 December 2014 for construction work to the value of 30 million rand. The tender was awarded to Axsys who subsequently changed its name to 20 Twenty Projects. The claim for 20Twenty is for request for issue of payment certificates other than for construction services rendered under the name of Axys. These matters are still pending in the Northern Cape High Court and the outcomes are still uncertain.

The claim from AXSYS Infrastructure (Pty) Ltd is for approximately R 9,000,000 (2019: R 9,000,000) plus cost of R 320,000.	9 273 556	9 320 000
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The claim from 20 Twenty Projects (Pty) Ltd is for approximately R 1,100,000 plus cost of R 250,000.	1 368 574.61	1 350 000.00
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(ii) Breach of Contract:

The municipality and the Minister of Water & Sanitation is involved in litigation with Sedibeng Water relating to non payment by the municipality with regards to water supplied to Olifantshoek which now falls under municipal boundaries of Gamagara municipality after the demarcation process. The Demarcation board amalgamated Olifantshoek into the Gamagara Municipality as from May 2006 (Election date).

11 188 405

11 188 405

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The case is pending and till date no judgement has been handed down. The municipality's lawyers indicated that the prospects on the merits favour the municipality. The claim is for R 10,788,404.75 with additional costs and disbursements of +- R 400,000 which might arise in relation to the case. The outcome of the matter is still uncertain.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

53. IN-KIND DONATIONS AND ASSISTANCE

Various donations in a variety of formats were made to the municipality during the year under review:

Description / Donor	Reference / Nature / Project	Value	Value
Cash Contributions:	Note 23.3.9		
Kolomela Mine	Donations in Cash	-	3 132 658
Capital Contributions:	Note 8		
Assmang Iron Ore (Beeshoek)	Security Installations at Pump Stations	-	-
Kolomela Mine	Corrective Maintenance Wastewater Treatment Plant	-	986 239
Kolomela Mine	Upgrading of Infrastructure at Show Grounds	-	175 394
Kolomela Mine	Repairs to Sewer Pump Stations	-	-
Kolomela Mine	Upgrade Maremane Boreholes	-	-
Kuma Iron Ore	Construction of New Road	-	-
Assmang Iron Ore (Beeshoek)	Installation of Solar Lights in Postmasburg	1 354 233	-
Assmang Iron Ore (Beeshoek)	Improving Facilities of Local Libraries	393 946	-
		1 748 179	1 161 633
In-kind Contributions (Operational Expenses):			
Assmang Iron Ore (Beeshoek)	Covid-19 Public Areas Sanitising	-	468 342
Sishen Iron Ore Company (Pty) Ltd	Operational Assistance Landfill Sites	1 742 058	-
Kolomela Mine	Corrective Maintenance Wastewater Treatment Plant	-	918 408
Kolomela Mine	Maintenance of Landfill Sites	-	2 116 500
Kolomela Mine	Upgrading of Infrastructure at Show Grounds	-	227 669
Kolomela Mine	Repairs to Sewer Pump Stations	-	-
Kolomela Mine	Rental of Water Truck	-	1 304 049
Lesedi Power Project	Covid-19 Infection Control	-	14 452
PMG Mining (Pty) Ltd	Covid-19 Awareness Campaign	-	232 800
PMG Mining (Pty) Ltd	Madiba Month Drive 2019	-	88 347
PMG Mining (Pty) Ltd	Madiba Month Drive 2020	-	232 348
PMG Mining (Pty) Ltd	Materials - Hand Sanitisers	-	217 391
PMG Mining (Pty) Ltd	Rehabilitation of Roads	-	350 000
PMG Mining (Pty) Ltd	School Campaign	-	29 559
Provincial Treasury	Audit Fees Paid by Treasury on behalf of Municipality	1 948 651	-
		3 690 708	6 199 865
Total Donations and In-kind Assistance Received		5 438 888	10 494 156

54. PRIVATE PUBLIC PARTNERSHIPS

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

55. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 40).

56. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2021.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

57. GOING CONCERN ASSESSMENT

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This

Management also considered the following matters in relation to the Going Concern position of Tsantsabane Local Municipality:

(i) On 29 June 2021 Council adopted the 2021/22 to 2023/24 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), fund the elementary operations of the Municipality to support the on-going delivery of municipal services to residents, reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(v) A cost containment program is in place and it is regarded by the Municipality as a high priority in order to contain cost and improve service delivery.

(vi) Assessment of the going concern assumption through ratios analysis:

	2021 Ratio	2020 Ratio
Current ratio:		
Comment	<u>12%</u>	<u>14%</u>
The current ratio increased from the previous year to the current year.		
Quick ratio:	<u>12%</u>	<u>14%</u>
Comment		
The Quick ratio increased from the previous financial year to the current year.		
Revenue management		
Debt-collection period (after impairment)	<u>41</u>	<u>45.8 days</u>
Debt-impairment provision as a percentage of accounts receivable	<u>92%</u>	<u>91%</u>
Debt ratio	<u>56%</u>	<u>52%</u>
Comment		
The debt ratio increased from the previous year to the current year.		
Other indicators:		
Net current asset/liability- position	<u>344 564 650</u>	<u>374 071 995</u>
Comment		
The Municipality entity's total assets exceed its liabilities by R 344 564 650 (2020: R 374 071 995)		
Cash flow	<u>7 148 199</u>	<u>12 150 009</u>
The Municipality entity has a positive bank balance of R 7 148 199 (2020: R 12 150 009) as at 30 June		
Amount of net cash in /(out)flows for the year from operating activities	<u>22 003 027</u>	<u>13 623 421</u>
Surplus / (Deficit)	<u>(29 491 561)</u>	<u>(77 217 490)</u>
The Municipality has a deficit of R 29 491 561 which improved from the prior financial year of R 77 217 490.		

Payment of creditors within 30 days

Comment

The creditors were not paid within the 30 days as required by law.

Despite the above negative indicators, the municipality is a going concern because of the following:

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Municipality Entity Funding

The municipality receives funding from the Government as Grants and Transfers as per the DoRA. There is no intention from Treasury to stop the distribution of Equitable share to Tsantsabane Local Municipality. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.

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

	2021/22 R	2022/23 R	Total R
Finance Management Grant (FMG)	3 000 000	3 000 000	6 000 000
Municipal Infrastructure Grant (MIG)	28 187 000	18 023 251	46 210 251
Integrated National Electrification Grant	1 500 000	4 000 000	5 500 000
Library grant	1 200 000	1 200 000	2 400 000
Equitable Share	47 769 000	51 149 000	98 918 000
Water Services Infrastructure Grant (WSIG)	6 000 000	11 000 000	17 000 000
	<u>87 656 000</u>	<u>88 372 251</u>	<u>176 028 251</u>

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Tsantsabane's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe

58. COVID-19 EXPENDITURE

Background Information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point in time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

COVID-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

The table below indicates the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2021 and its comparative financial period:

COVID-19 EXPENDITURE

	2021 R	2020 R
Capital Expenditure		
Machinery and Equipment	4 273	20 160
Total Capital Expenditure	<u>4 273</u>	<u>20 160</u>
Operating Expenditure		
Employee Related Costs - Protective Clothing	-	17 400
Contracted Services - Outsourced: Hygiene Services	-	468 342
Inventory Consumed - Consumables	-	282 172
Operating Leases - Machinery and Equipment	-	94 960
MIG Expenditure - Repairs and Maintenance of water supply infrastructure	2 001 338	-
Contracted Services - Outsourced: Hygiene Services	1 376 433	-
MIG - Expenditure for Covid: Contracted Services - Outsourced: Hygiene Services	-	713 000
Total Operating Expenditure	<u>3 377 771</u>	<u>1 575 874</u>
Total COVID-19 Expenditure	<u>3 382 044</u>	<u>1 596 034</u>

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The table below indicates the Funding Sources for the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2020:

	2021 R	2020 R
COVID-19 FUNDING		
Funding Sources for COVID-19 Expenditure		
Disaster Management Grant	-	89 000
Public Contributions	-	750 514
Own Revenue	1 380 706	43 520
MIG	2 001 338	713 000
Total Funding for COVID-19 Expenditure	3 382 044	1 596 034

59 Accounting by principals and agents

Details of the arrangements are as follows:

Municipality as Agent/ Principle	Other Party in the Agreement	Purpose of Arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Agent	Provincial Department of Transport	Motor Vehicle registration	The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and collects a commission of 12% plus VAT	The municipality collect motor registration fees
Agent	Provincial Department of Transport	Drivers Licence application	The Municipality undertakes to handle Driver's licence applications on behalf of the Department of Transport.	The value of application fees is determined by the Provincial administration. The Municipality recognise all fees collected as agency fees.
Agent	Provincial Department of Transport	Administration of Drivers licence cards - RTMC (Road Traffic Management Company)	The Municipality undertakes to issue Driver's licence cards on behalf of the Department of Transport.	The municipality collect all application fees
Principal	VETA Investments	Prepaid electricity vending system	Tsantsabane Local Municipality requires a prepaid electricity vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.
Principal	Jimbos	Prepaid electricity vending system	Tsantsabane Local Municipality requires a prepaid electricity vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Principal	Grid Control	Prepaid watervendor	Tsantsabane Local Municipality requires a prepayment vending and management system.	The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.
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Municipality as agent

Resources held on behalf of the principal(s), but recognised in the municipality's own financial statements

The resources regarding the Licensing Department remain their own and do not form part of the Municipality's financial statements.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R 963 403 (2020: R841 305).

Agent Principal arrangement

Motor Vehicle registration, Drivers Licence applications & RTMC - Dept of Transport	963 403	841 305
-------------------------------------------------------------------------------------	---------	---------

Category(ies) of revenue received / expenses paid on behalf of the principal, are:

The one category of revenue received on behalf of the principal is Licensing fees (includes Vehicle licences, Drivers licences and Drivers licence cards).

Receivables and / or payables recognised based on the rights and obligations established in the binding arrangement(s)

Name of Payable recognised

Motor Vehicle registration, Drivers Licence applications & RTMC - Dept of Transport	19 915 647	18 584 266
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Reconciliation of the carrying amount of payables

Payables (Drivers licence applications, RTMC, Vehicle registration)

Opening balance	18 584 266	17 128 783
Revenue that principal is entitled to	1 482 773	1 455 482
Amounts transferred to the principal	(151 392)	-
	<u>19 915 647</u>	<u>18 584 266</u>

Municipality as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No assets or liabilities of Tsantsabane Local Municipality are under the custodianship of Jimbos, VETA and Grid Control.

	2021	2020
	R	R

Fee paid (Commission paid)

Fees paid as compensation to the agent

Commission paid

VETA - prepaid electricity vendor	5 035 491	4 319 763
Jimbos - prepaid electricity vendor	132 689	196 491
GRID Control - prepaid water vendor	772 440	813 052
	<u>5 940 621</u>	<u>5 329 305</u>

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated.

There are no resource or cost implications for the municipality if the arrangements are terminated.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

60. MFMA Non-Compliance For 2020-2021

MFMA Section	Non-Compliance	Details	Non-Compliance Date
Sec 21(1)(b)	Tabling of Schedule of Key Deadlines	Mayor must, atleast 10 before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for: (i) The preparation, tabling and approval of the annual budget; (ii) The annual review of IDP in terms of sec 34 of MSA. (iii) The tabling and adoption of any amendments to the IDP and the budget related policies. (iv) Any consultative processes forming part of the the processess referred above in (i),(ii) and (iii).	31/08/2020
Sec 28(2)(b) and MBRR Sec 23(3)	Tabling of Special Adjustment Budget	2020/21 MTREF budget adjustment to account for the revised funding allocations that were made available.	30/09/2020
Sec 72	Mid-year budget and performance assessment	(1) The accounting officer of a municipality must by 25 January of year - (a) Assess the performance of the municipality during the first half of the financial year, taking into account; (i) The monthly statements referred to section 71 for the first half of the financial year; (ii) The municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performnce indicators set in the service delivery and budget implementation plan. (ii) The past year's annual report; and (b) Submit a report on such assessment to - (i) The mayor of the municipality; (ii) The national tTreasury; and (iii) The relevant provincial treasury.	25/01/2021
Sec 71 Reports	Montly Budget Statements (Sec Reports) 2020/21	Municipalities are required to submit by no later than 10 working days after the end of each month to the mayor and Provincial Treasury a statement in the prescribed format on the state of the municipality's budget.	M01(14/08/2020) M02(14/10/2020) M07(12/02/2021) M09(14/04/2021) M12(14/07/2021)

61. SEGMENTAL INFORMATION

General information

The mandate of the municipality is to provide basic services to the community over which it governs. In order to execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective.

The components described below have been identified as individually significant segments for purposes of reporting according to these service objectives:

- Finance and administration
- Energy sources - Electricity generation and distribution
- Waste management - Solid waste and waste water management
- Water - Water provision and treatment

The following individually insignificant segments, with similar economic characteristics, have been aggregated for reporting purposes

- Governance and administration
- Community and Public Safety
- Economic and environmental services

The municipality does not monitor segments geographically

The municipality monitors the following business units operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Transitional provisions

GRAP 18 Segment Reporting became effective on 1 April 2020 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to present comparative segment information on initial adoption of GRAP 18.

The municipality is taking advantage of the transitional provisions by not presenting comparative segment information.

The municipality intends to fully apply the requirements of GRAP 18 by 30 June 2022.

Segment Analysis of Financial Performance
Year Ended 30 June 2021

Description	Finance and Administration	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
	R	R	R	R	R		R
REVENUE							
Revenue from Non-exchange Transactions							
Property Rates	39 943 930	-	-	-	-	-	39 943 930
Fines, Penalties and Forfeits	-	-	-	-	-	89 278	89 278
Licences and Permits	-	-	-	-	-	963 766	963 766
Transfers and Subsidies	51 623 403	5 696 830	-	-	16 531 680	2 100 000	75 951 913
Revenue from Exchange Transactions							
Service Charges	3 632	53 386 808	12 660 473	23 468 807	16 924 712	-	106 444 431
Sales of Goods and Rendering of Services	95 686	-	-	-	-	274 939	370 625
Rental from Fixed Assets	479 165	-	-	-	-	-	479 165
Interest, Dividends and Rent on Land Earned	684 926	-	-	-	-	-	684 926
Operational Revenue	226 261	-	-	-	-	51 820	278 080
Gains on Disposal of Property, Plant and Equipment	17 134 700	-	-	-	-	(0)	17 134 700
Total Revenue	110 191 703	59 083 638	12 660 473	23 468 807	33 456 392	3 479 802	242 340 815
EXPENDITURE							
Employee Related Costs	24 294 240	6 390 016	3 342 288	4 985 833	2 911 597	39 371 857	81 295 831
Remuneration of Councillors	-	-	-	-	-	5 708 335	5 708 335
Depreciation and Amortisation	-	5 234 789	-	5 161 098	5 000 595	17 807 915	33 204 397
Impairment Losses	11 505 900	(501 042)	6 015 131	8 751 274	3 772 774	(0)	29 544 037
Interest, Dividends and Rent on Land	7 279 542	-	5 403 578	-	-	(0)	12 683 120
Bulk Purchases	-	41 801 967	-	-	21 032 039	-	62 834 006
Contracted Services	10 314 806	768 956	-	6 111 616	558 356	4 085 732	21 839 467
Inventory Consumed	1 305 281	(574)	13 221	(8 347)	560 667	212 928	2 083 176
Operating Leases	1 188 112	-	-	-	-	-	1 188 112
Operational Costs	9 018 807	2 915 897	29 599	65 580	1 627 292	2 559 097	16 216 272
Loss on Disposal of Property, Plant and Equipment	5 235 622	-	-	-	-	-	5 235 622
Total Expenditure	70 142 312	56 610 009	14 803 818	25 067 053	35 463 320	69 745 864	271 832 376
Surplus/(Deficit) for the Year	40 049 391	2 473 629	(2 143 345)	(1 598 246)	(2 006 928)	(66 266 062)	(29 491 561)

Segment Analysis of Financial Position and Capital Expenditure
Year Ended 30 June 2021

Description	Finance and Administration	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
OTHER INFORMATION	R	R	R	R	R		R
Segment Assets							
Current Assets							
Inventories					111 160	242 833	353 993
Receivables from exchange transactions		2 994 553	1 568 472	4 023 274	4 077 577	1 027 843	13 691 719
Non-current Assets							
Property Plant and equipment		79 612 653	-	86 241 167	112 101 920	389 986 956	667 942 696
Total Segment Assets		82 607 207	1 568 472	90 264 440	116 290 658	391 257 632	681 988 408
Segment Liabilities							
Current Liabilities							
Payables from exchange transactions		172 612 543			62 607 239	122 371 218	357 591 000
Consumer deposits		2 437 327				38 502	2 475 829
Total Segment Liabilities		175 049 870			62 607 239	122 409 720	360 066 829
Additions to non-current assets							
Property Plant and equipment		10 659 357			17 649 562	8 042 119	36 351 038

APPENDIX A
TSANTSABANE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2020	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2021
	R				R	R	R	R
CAPITAL LEASE LIABILITIES								
VETA investments (smart meters)	14 168 685	24.00%		Not fixed	6 945 229	8 337 511	4 458 855	10 823 885
Sanpaul Trading Enterprise (fleet)	9 426 420	1.42%		28/02/2022	5 022 067		3 022 923	1 999 144
Solutions Pro (Pty) Ltd t/a Nashua Vryburg	2 497 293	35.87%	713273	October 2023	-	2 497 293	351 580	2 145 712
Total Capital Lease Liabilities	26 092 398				11 967 296	10 834 804	7 833 358	14 968 741
TOTAL EXTERNAL LOANS	26 092 398				11 967 296	10 834 804	7 833 358	14 968 741

APPENDIX F
TSANTSABANE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received																
Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	19 124 000	14 423 000	14 978 000	-	19 124 000	14 423 000	14 978 000	-	-	-	-	-	N/A	Yes	N/A
FMG	Nat Treasury	3 000 000	-	-	-	1 227 287	393 692	875 623	503 398	-	-	-	-	N/A	Yes	N/A
MIG Projects	MIG	3 000 000	5 407 000	6 869 000	-	3 244 550	4 144 548	2 547 429	6 595 154	-	-	-	-	N/A	Yes	N/A
INEP	Nat Treasury	-	-	-	-	730 138	954 066	10 925	304 871	-	-	-	-	N/A	Yes	N/A
EPWP Incentive Grant	Province	250 000	450 000	300 000	-	250 000	450 000	300 000	-	-	-	-	-	N/A	Yes	N/A
LG SETA Mandatory Grant	Province	-	-	55 343	43 060	-	-	44 170	54 233	-	-	-	-	N/A	Yes	N/A
Library	Province	-	-	1 100 000	-	295 305	290 178	264 360	290 178	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received		25 374 000	20 280 000	23 302 343	43 060.03	24 871 280	20 655 484	19 020 506	7 747 832	-	-	-	-			

**APPENDIX G
TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2021

Incumbent	Basic Salaries	Annual Bonuses	Other Allowance	Travel Allowances	Cellphone Allowances	Housing Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
M Mashila (Ward 6)	625 864	-	3 600	212 503	40 800	-	-	882 767
Councillors								
EE Poto (Ward 1)	473 865	-	3 600	157 956	40 800	-	-	676 221
M Daniels (Ward 2)	198 063	-	3 600	66 021	40 800	-	-	308 484
EEJ Phete (Ward 3)	500 691	-	3 600	166 897	40 800	-	-	711 988
KD Modise (Ward 4)	22 688	-	300	7 563	3 400	-	-	33 951
IK Tshabane (Ward 5)	254 182	-	3 600	84 727	40 800	-	-	383 309
KG Keoremetswe (Ward 4)	122 316	-	2 302	40 772	26 085	-	-	191 475
TJ Saulus (Ward 7)	198 063	-	3 600	66 021	40 800	-	-	308 484
AR Davids (Proportional)	54 575	-	900	18 192	10 200	-	-	83 867
AJ Ruiters (Proportional)	198 063	-	3 600	66 021	40 800	-	-	308 484
WC Julies (Proportional)	54 575	-	900	18 192	10 200	-	-	83 867
D Esau (Proportional)	198 063	-	3 600	66 021	40 800	-	-	308 484
JJ Swart (Proportional)	198 063	-	3 600	66 021	40 800	-	-	308 484
WJG Corner (Proportional)	79 716	-	1 500	26 572	17 000	-	-	124 788
HA Beets (Proportional)	143 489	-	2 700	47 830	30 600	-	-	224 619
EC Bicks (Proportional)	59 309	-	1 116	19 770	12 648	-	-	92 843
OM Mabilo (Proportional)	473 865	-	3 600	157 956	40 800	-	-	676 221
Total for Councillors	3 855 450	-	45 718	1 289 034	518 133	-	-	5 708 335
Municipal Manager								
H Mathobela	737 457	-	3 600	284 448	26 400	31 605	-	1 083 510
Chief Financial Officer								
LR Coakley (Appointed from August 2019)	486 850	-	3 600	243 425	19 200	81 142	-	834 216
Director: Corporate Services								
IC Nkadimang	719 953	-	3 600	317 626	19 200	21 175	-	1 081 554
Acting Director: Technical Services								
BLK Botha (Acting from December 2018)	94 465	-	134 674	24 746	2 400	2 894	-	259 178
Director: Technical Services								
RV Mlangeni (Appointed September 2020)	405 708	-	3 000	202 854	16 000	67 618	-	695 180
Director: Community Services								
JJ Theys	635 253	-	3 600	402 327	19 200	21 175	-	1 081 554
	3 079 686	-	152 074	1 475 426	102 400	225 609	-	5 035 193
Total for Management	6 935 136	-	197 792	2 764 460	620 533	225 609	-	10 743 527

**APPENDIX G
TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2020

Incumbent	Basic Salaries	Annual Bonuses	Other Allowance	Travel Allowances	Cellphone Allowances	Housing Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
M Mashila (Ward 6)	581 297		9 768	193 766	40 800			825 630
Councillors								
EE Poto (Ward 1)	440 128		3 600	146 708	40 800			631 236
M Daniels (Ward 2)	183 960		3 600	61 320	40 800			289 680
EEJ Phete (Ward 3)	465 038		24 563	155 013	40 800			685 414
KD Modise (Ward 4)	183 960		3 600	61 320	40 800			289 680
IK Tshabane (Ward 5)	236 082		3 600	78 694	40 800			359 176
TJ Saulus (Ward 7)	183 960		7 661	61 320	40 800			293 741
AR Davids (Proportional)	183 960		3 600	61 320	40 800			289 680
AJ Ruiters (Proportional)	183 960		3 600	61 320	40 800			289 680
WC Julies (Proportional)	183 960		3 600	61 320	40 800			289 680
D Esau (Proportional)	183 960		26 531	61 320	40 800			312 611
JJ Swart (Proportional)	183 960		3 600	61 320	40 800			289 680
OM Mabilo (Proportional)	440 128		3 600	146 708	40 800			631 236
Total for Councillors	3 634 353	-	100 923	1 211 449	530 400	-	-	5 477 125
Municipal Manager								
H Mathobela	737 457		3 600	301 647	26 400	31 605		1 100 709
Acting Chief Financial Officer								
JB Moselelane (Acting from 1 August 2018 to July 2019)	140 585	29 636		15 951	1 000	1 816		188 987
Chief Financial Officer								
LR Coakley (Appointed from August 2019)	446 279		3 300	226 685	17 600	74 380		768 243
Director: Corporate Services								
IC Nkadamang	719 953		3 600	326 209	19 200	21 175		1 090 138
Director: Technical Services								
BLK Botha (Acting from December 2018)	659 602	29 636		98 666	9 600	10 893		808 398
Ditrector: Community Services								
JJ Theys	635 253		3 600	403 256	19 200	21 175		1 082 484
Total for Senior Managers	3 339 128	59 272	14 100	1 372 414	93 000	161 044	-	5 038 959
Total for Management	6 973 481	59 272	115 023	2 583 863	623 400	161 044	-	10 516 083