



Tswaing Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Mayoral committee

Executive Mayor

Speaker

Chief Whip

Councillors

Hon Cllr L.Malwane

Hon Cllr U.P. Lobelo

Hon Cllr T.A. Morei

Cllr L. Bome

Cllr S.V. Moremedi

Cllr M.M. Moreo

Cllr K.E. Blou

Cllr S.T. Lerumo

Cllr A.T. Modise

Cllr B. Phutiyagae

Cllr N.J. Molehabangwe

Cllr T.E. Chabanku

Cllr T.S. Tsholo

Cllr M.E. Booï

Cllr M.S. Letlakane

Cllr A.T. Mabovu

Cllr P.M. Mokoto

Cllr T.D. Mthimkulu

Cllr O.J. Makalela

Cllr E.S. Sedumoeng

Cllr S. Viljoen

Cllr E.M. Thobengani

Cllr T.P. Miga

Cllr J.K. Mangwejane

Cllr L.Y. Taljaard

Cllr G.E. Kgasu

Cllr K.C. Seduko

Cllr G.B. Madebe

Cllr J.H. Botha

Kgosi J.E.F. Molete

Kgosi C. Moshoeite

Grading of local authority

Low capacity (Grade 3)

Accounting Officer

Mr M. I. Moruti

Registered office

Cnr. General Delarey and Government Street
Delareyville
2770

Business address

Cnr. General Delarey and Government Street
Delareyville
2770

Postal address

P O Box 24
Delareyville
2770

Bankers

First National Bank

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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Tswaing Local Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on page 5 - 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021.

Mr T. Letlhogile
Accounting Officer(Acting Municipal Manager)

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality's main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution.

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

Net surplus of the municipality was R 25 103 887 (2020: deficit R 372 404).

2. Going concern

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

3. Subsequent events

On the 22nd of September 2021 the Municipality was placed under administration by invoking section 139 (c) of the Constitution of Republic of South Africa. Mr Moatlhodi J. Dilotsotlhe has been appointed to be the Administrator and the Municipal Manager and the Chief Financial Officer were placed on suspension. Mr Tshiamo Letlhogile has been appointed as the Acting Municipal Manager

4. Accounting Officers' interest in contracts

The accounting officer does not have any interest in any contract concerning Tswaing Local Municipality.

5. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act NO. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

6. Corporate governance

General

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

7. Bankers

The banker of Tswaing Local Municipality is First National Bank.

8. Auditors

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	3 397 309	803 238
Receivables from exchange transactions	3	13 323 030	16 657 679
Receivables from non-exchange transactions	4	13 306 253	8 169 303
VAT receivable		10 310 349	9 773 740
Trade and other receivables from exchange	5	42 824 464	37 681 751
Cash and cash equivalents	6	22 433 211	7 917 007
		105 594 616	81 002 718
Non-Current Assets			
Biological assets	7	2 307 500	2 290 150
Investment property	8	62 832 943	62 986 043
Property, plant and equipment	9	693 438 507	665 927 538
Heritage assets	10	953 000	953 000
Other financial assets	11	527 933	489 182
		760 059 883	732 645 913
Total Assets		865 654 499	813 648 631
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	254 158 491	233 989 293
Consumer deposits	13	1 279 815	1 253 310
Employee benefit obligation	45	1 011 399	846 475
Unspent conditional grants and receipts	14	6 007 825	4 132 760
		262 457 530	240 221 838
Non-Current Liabilities			
Employee benefit obligation	45	33 312 360	31 010 112
Provisions	15	40 844 763	38 480 724
		74 157 123	69 490 836
Total Liabilities		336 614 653	309 712 674
Net Assets		529 039 846	503 935 957
Accumulated surplus		529 039 846	503 935 957

* See Note 51

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	119 439 890	88 935 400
Rental of facilities and equipment		20 569	153 953
Licences and permits		4 392 182	2 289 516
Other income	18	234 400	3 332 922
Interest received - investment	19	371 373	280 933
Dividends received	19	17 906	24 845
Total revenue from exchange transactions		124 476 320	95 017 569
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	25 912 237	19 331 233
Transfer revenue			
Government grants & subsidies	21	217 158 039	177 942 622
Donations		2 500 000	-
Fines		50 600	146 643
Other income	18	-	76 395
Total revenue from non-exchange transactions		245 620 876	197 496 893
Total revenue	16	370 097 196	292 514 462
Expenditure			
Employee related costs	22	(94 116 200)	(92 189 554)
Remuneration of councillors	23	(10 666 702)	(11 094 325)
Depreciation and amortisation	24	(28 840 401)	(34 222 313)
Finance costs	26	(10 449 134)	(17 588 459)
Lease rentals on operating lease		(1 008 880)	(664 827)
Debt Impairment	27	(80 542 092)	(38 623 842)
Bad debts written off		(3 024 348)	(555 148)
Loss due to undeposited receipts	49	(722 840)	(133 305)
Bulk purchases	28	(42 988 571)	(40 104 481)
Contracted services	29	(24 939 993)	(14 903 215)
Fines and penalties	48	(2 260 705)	(1 540 307)
General Expenses	30	(44 143 681)	(47 701 359)
Total expenditure		(343 703 547)	(299 321 135)
Operating surplus (deficit)	33	26 393 649	(6 806 673)
Loss on disposal of assets and liabilities		(644 434)	(512 157)
Fair value adjustments	31	38 751	(184 501)
Actuarial gains/losses	47	2 251 083	16 945 357
Gain on biological assets		17 350	321 850
Impairment loss	25	(2 941 741)	(10 075 986)
Inventories losses/write-downs		(10 771)	(60 294)
		(1 289 762)	6 434 269
Surplus (deficit) for the year		25 103 887	(372 404)

* See Note 51

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	506 778 030	506 778 030
Adjustments		
Correction of errors	(2 469 665)	(2 469 665)
Balance at 01 July 2019 as restated*	504 308 365	504 308 365
Changes in net assets		
Correction of errors	10 991 903	10 991 903
Deficit as previously reported	(11 364 311)	(11 364 311)
Total changes	(372 408)	(372 408)
Restated* Balance at 01 July 2020	503 935 959	503 935 959
Changes in net assets		
Deficit for the year	25 103 887	25 103 887
Total changes	25 103 887	25 103 887
Balance at 30 June 2021	529 039 846	529 039 846
Note(s)		

* See Note 51

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Interest income		371 373	280 933
Dividends		17 906	24 845
Cash receipts from ratepayers, government and others		267 767 446	230 558 540
		<u>268 156 725</u>	<u>230 864 318</u>
Payments			
Interest paid		(505)	-
Cash paid to suppliers and employees		(192 487 588)	(180 120 959)
		<u>(192 488 093)</u>	<u>(180 120 959)</u>
Net cash flows from operating activities	34	<u>75 668 632</u>	<u>50 743 359</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(61 152 428)	(43 740 409)
Net increase/(decrease) in cash and cash equivalents		<u>14 516 204</u>	<u>7 002 950</u>
Cash and cash equivalents at the beginning of the year		7 917 007	914 057
Cash and cash equivalents at the end of the year	6	<u>22 433 211</u>	<u>7 917 007</u>

* See Note 51

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	77 676 480	-	77 676 480	119 439 890	41 763 410	N1
Rental of facilities and equipment	-	-	-	20 569	20 569	N2
Licences and permits	2 934 388	-	2 934 388	4 392 182	1 457 794	N3
Other income	129 723	-	129 723	234 400	104 677	N4
Interest received - investment	240 477	-	240 477	371 373	130 896	N5
Dividends received	6 592	-	6 592	17 906	11 314	N6
Total revenue from exchange transactions	80 987 660	-	80 987 660	124 476 320	43 488 660	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	33 363 048	-	33 363 048	25 912 237	(7 450 811)	N7
Transfer revenue						
Government grants & subsidies	156 857 000	24 940 000	181 797 000	217 158 039	35 361 039	N8
Donations	-	-	-	2 500 000	2 500 000	N9
Fines	235 005	-	235 005	50 600	(184 405)	N10
Total revenue from non-exchange transactions	190 455 053	24 940 000	215 395 053	245 620 876	30 225 823	
Total revenue	271 442 713	24 940 000	296 382 713	370 097 196	73 714 483	
Expenditure						
Employee related costs	(97 767 722)	400 000	(97 367 722)	(94 116 200)	3 251 522	N11
Remuneration of councillors	(11 273 356)	-	(11 273 356)	(10 666 702)	606 654	N12
Depreciation	(27 379 383)	25 250 000	(2 129 383)	(28 840 401)	(26 711 018)	N13
Impairment loss	-	-	-	(2 941 741)	(2 941 741)	N14
Finance costs	-	(600 000)	(600 000)	(10 449 134)	(9 849 134)	N15
Lease rentals on operating lease	-	-	-	(1 008 880)	(1 008 880)	N16
Debt impairment	(21 725 000)	-	(21 725 000)	(80 542 092)	(58 817 092)	N17
Bad debts written off	-	-	-	(3 024 348)	(3 024 348)	N13
Loss on undeposited receipts	-	-	-	(722 840)	(722 840)	N18
Bulk purchases	(35 800 000)	-	(35 800 000)	(42 988 571)	(7 188 571)	N19
Contracted Services	(22 004 415)	(26 597 000)	(48 601 415)	(24 939 993)	23 661 422	N20
Fines and penalties	-	-	-	(2 260 705)	(2 260 705)	N21
General Expenses	(23 455 796)	1 220 000	(22 235 796)	(44 143 681)	(21 907 885)	N22
Total expenditure	(239 405 672)	(327 000)	(239 732 672)	(346 645 288)	(106 912 616)	
Operating surplus	32 037 041	24 613 000	56 650 041	23 451 908	(33 198 133)	
Loss on disposal of assets and liabilities	-	-	-	(644 434)	(644 434)	N23
Fair value adjustments	-	-	-	38 751	38 751	N24
Actuarial gains/losses	-	-	-	2 251 083	2 251 083	N25
Gain on biological assets and agricultural produce	-	-	-	17 350	17 350	N26
Inventories losses/write-downs	-	-	-	(10 771)	(10 771)	N27

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	1 651 979	1 651 979	
Surplus before taxation	32 037 041	24 613 000	56 650 041	25 103 887	(31 546 154)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	32 037 041	24 613 000	56 650 041	25 103 887	(31 546 154)	

Please refer to note 42 for explanations on the budget differences. Explanations for the budget adjustments have been included in the budget adjustment report. This report has been presented to council and provincial treasury.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on expected cash flows. Expected cash flows are calculated by multiplying the average collections ratio over a three year period by the closing balance as per the debtors ageing analysis.

Provision for doubtful debts

The Municipality has assessed that none of the debtors are individually significant as no individual debtor has a balance that exceeds twenty five percent of the total debtors balance. As a result all debtors are included in the same population (before splitting in groups) for the impairment calculation.

Debtors are grouped into three different categories based on their payment history

Group 1: Customers with no non payments in the past (These would typically be customers that made payments every month over the twelve month period. In addition Group 1 includes government debtors which are assumed to be fully recoverable.

Group 2: Customers with non-payments in the past but where some amounts were recovered (These would typically be customers that did not make payments every month over the twelve month period.)

Group 3: Customers who typically fail to pay on a month on month basis with very little probability of recovery of any of the outstanding amount (These would typically be those customers who never made a single payment during the twelve month period.)

Based on this information, the following impairment calculation is applied:

Group 1: Since the customers in Group 1 made at least twelve payments during the financial year ended 30 June 2021, the amounts owing are considered to be fully recoverable. As a result, the expected cash flows are equal to the carrying amount.

Group 2: The expected cash flows are calculated by multiplying the collections ratio over a three year period by the closing balance as per the debtors ageing analysis.

Group 3: The expected cash flows are calculated by multiplying the collections ratio over a three year period by the closing balance as per the debtors ageing analysis..

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 45.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.4 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

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

1.5 Investment property

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

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

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

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

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

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

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Investment property (continued)

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

The nature OR type of properties classified as held for strategic purposes are as follows:

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Machinery and Equipment	Straight line	5 - 10 years
Furniture and fixtures	Straight line	5 - 12 years

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Accounting Policies

1.6 Property, plant and equipment (continued)

Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
Other Assets	Straight line	5 - 10 years
Computer equipment	Straight line	3 - 7 years
Infrastructure community	Straight line	5 - 100 years
Roads network infrastructure	Straight line	5 - 100 years
Storm water infrastructure	Straight line	5 - 100 years
Water supply infrastructure	Straight line	5 - 100 years
Electrical network infrastructure	Straight line	5 - 100 years
Sanitation network infrastructure	Straight line	5 - 100 years
Solid waste infrastructure	Straight line	5 - 100 years

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

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

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

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

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

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

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

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

1.7 Heritage assets

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

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

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Accounting Policies

1.7 Heritage assets (continued)

Heritage assets are measured at cost.

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

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

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

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

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

1.8 Financial instruments

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

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

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

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

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

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Accounting Policies

1.8 Financial instruments (continued)

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;

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Accounting Policies

1.8 Financial instruments (continued)

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

Classification

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

Class	Category
Trade and Other Receivables	Financial asset measured at amortised cost
Bank balances	Financial asset measured at amortised cost
Listed shares	Financial asset measured at fair value

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

Class	Category
Trade and Other Payables	Financial liability measured at amortised cost

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

Listed shares are measured at fair value using market values at year end.

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

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

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

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

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

1.9 Consumer deposits

Consumer deposits consist of rental deposits received from tenants when they occupy the municipality's properties. The deposits are payable to the tenants when they leave the properties and they are therefore accounted for as payables.

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Accounting Policies

1.10 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

Tswaing Local Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

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Accounting Policies

1.13 Employee benefits

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

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

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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

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Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

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

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

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

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

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

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

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

Tswaing Local Municipality

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Accounting Policies

1.14 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Government grants and subsidies

Government grants are recognised as revenue when:

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

the amount of the revenue can be measured reliably, and

to the extent that there has been compliance with any restrictions associated with the grant.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

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

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

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

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

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

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

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

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

1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.24 Budget information (continued)

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

1.25 Related parties

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

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

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
2. Inventories		
Land inventory	2 609 929	185 931
Stores, materials and fuels	787 380	617 307
	3 397 309	803 238
2.1 Amounts written down included in statement of financial performance		
Inventory write-down	10 771	60 294
Inventory pledged as security		
No inventory has been pledged as security.		
3. Receivables from exchange transactions		
Employee debtors	45 824	84 351
Supplier with debit balance	9 766 512	5 383 078
Pensioner debtors	1 408 625	1 078 325
Rental debtors	8 452	65 513
Government subsidies	2 985 400	10 853 706
Other Debtors	82 126	-
Debtors allowance for impairment	(973 909)	(807 294)
	13 323 030	16 657 679
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(807 294)	-
Provision for impairment	(166 615)	(807 294)
	(973 909)	(807 294)
4. Receivables from non-exchange transactions		
Consumer debtors - Rates	13 306 253	8 169 303
Gross Balances		
Current (0 -30 days)	1 750 214	1 569 745
31 - 60 days	1 657 425	1 181 717
61 - 90 days	1 484 088	1 111 722
91 - 120 days	1 458 024	1 125 324
121+ days	79 418 341	67 630 175
	85 768 092	72 618 683
Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Balance at beginning of the year	(64 449 380)	(53 652 973)
Contributions to allowance	(8 012 459)	(10 796 407)
	(72 461 839)	(64 449 380)
Total receivables from non-exchange transactions	13 306 253	8 169 303

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
5. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	98 637 888	55 479 928
Water	39 402 441	30 670 565
Sewerage	77 152 849	52 080 583
Refuse	60 840 404	49 492 693
	276 033 582	187 723 769
Less: Allowance for impairment		
Consumer debtors impairment	(233 209 118)	(150 042 018)
Net balance		
Electricity	98 637 888	55 479 928
Water	39 402 441	30 670 565
Sewerage	77 152 849	52 080 583
Refuse	60 840 404	49 492 693
Consumer debtors allowance for impairment	(233 209 118)	(150 042 018)
	42 824 464	37 681 751
Electricity		
Current (0 -30 days)	31 322 506	9 414 950
31 - 60 days	2 783 139	2 322 579
61 - 90 days	3 864 296	2 213 924
91 - 120 days	2 213 056	1 684 500
121 days +	58 454 891	39 843 975
	98 637 888	55 479 928
Water		
Current (0 -30 days)	423 514	561 573
31 - 60 days	421 817	1 444 134
61 - 90 days	787 734	1 567 289
91 - 120 days	1 260 289	406 604
121 days +	36 509 087	26 690 965
	39 402 441	30 670 565
Sewerage		
Current (0 -30 days)	1 146 005	1 106 370
31 - 60 days	1 131 935	1 064 158
61 - 90 days	1 103 229	1 031 755
91 - 120 days	1 096 652	1 044 737
121 days +	72 675 028	47 833 563
	77 152 849	52 080 583
Refuse		
Current (0 -30 days)	1 077 865	1 045 670
31 - 60 days	1 065 725	1 004 702
61 - 90 days	1 046 639	975 871
91 - 120 days	1 041 526	986 788
121 days +	56 608 649	45 479 662
	60 840 404	49 492 693
Impairment		
Amount	(233 209 118)	(150 042 018)

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
5. Trade and other receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(150 042 018)	(121 773 971)
Contributions to allowance	(83 167 100)	(28 268 047)
	(233 209 118)	(150 042 018)

The municipality does not have any receivables past due that have not been impaired.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	455	455
Bank balances	22 432 756	7 916 552
	22 433 211	7 917 007

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - Current Account (52050012816)	4 939 606	684 110	792 126	4 939 606	684 110	792 126
First National Bank - Traffic Fines Account (62526417086)	19 058	776 808	100 740	19 058	776 808	100 740
First National Bank - Money Market Account (62263163752)	17 474 092	6 455 634	20 736	17 474 092	6 455 634	20 736
Total	22 432 756	7 916 552	913 602	22 432 756	7 916 552	913 602

7. Biological assets

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Wildlife	2 307 500	-	2 307 500	2 290 150	-	2 290 150

Reconciliation of biological assets - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Wildlife	2 290 150	17 350	2 307 500

Reconciliation of biological assets - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Wildlife	1 968 300	321 850	2 290 150

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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7. Biological assets (continued)

Non-financial information

Quantities of each biological asset

Oryx (Gemsbok)	35	19
Impala	46	59
Springbok	180	325
Red Hartebeest	46	58
Waterbuck	15	44
Black Wildebeest	180	157
Blesbuck	174	151
Ostrich	5	9
Zebra (Plains / Burchell's)	164	134
	845	956

Reconciliation of quantities of each biological asset

2021

Type of Wildlife	Opening balance	Births	Deaths	Closing Balance
Oryx (Gemsbok)	19	16		35
Impala	59		(13)	46
Springbok	325		(145)	180
Red Hartebeest	58		(12)	46
Waterbuck	44		(29)	15
Black Wildebeest	157	23		180
Blesbok	151	23		174
Ostrich	9		(4)	5
Zebra (Plains / Burchell's)	134	30		164
TOTAL	956	92	(203)	845

2020

Type of Wildlife	Opening balance	Births	Deaths	Closing Balance
Oryx (Gemsbok)	63		(44)	19
Impala	72		(13)	59
Springbok	248	77		325
Red Hartebeest	55	3		58
Waterbuck	22	22		44
Black Wildebeest	104	53		157
Blesbok	64	87		151
Ostrich	10		(1)	9
Zebra (Plains / Burchell's)	106	28		134
TOTAL	744	270	(58)	956

Fair value of the biological assets is determined at year end using market values.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	65 142 447	(2 309 504)	62 832 943	65 142 447	(2 156 404)	62 986 043

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	62 986 043	(153 100)	62 832 943

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	63 139 143	(153 100)	62 986 043

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

Deemed Cost

Investment property consists of land and buildings and is carried at cost. No depreciation is calculated on the land as it is deemed to have an indefinite useful life.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	-	153 953
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Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	124 390 229	-	124 390 229	124 390 229	-	124 390 229
Buildings	101 166 427	(84 870 590)	16 295 837	101 166 427	(81 049 382)	20 117 045
Machinery and Equipment	76 898	(67 974)	8 924	78 373	(63 279)	15 094
Furniture and fixtures	2 377 386	(1 961 516)	415 870	2 356 439	(1 753 873)	602 566
Motor vehicles	11 365 719	(8 842 954)	2 522 765	11 365 718	(8 046 548)	3 319 170
Office equipment	84 355	(56 538)	27 817	86 334	(53 214)	33 120
Computer equipment	2 061 689	(1 138 002)	923 687	1 919 272	(973 257)	946 015
Other Assets	877 249	(359 524)	517 725	841 262	(301 681)	539 581
Infrastructure Community Assets	238 609 463	(142 348 368)	96 261 095	227 244 244	(136 155 970)	91 088 274
Roads Network Infrastructure	513 131 514	(263 064 063)	250 067 451	507 961 447	(251 077 805)	256 883 642
Storm Water Infrastructure	34 285 422	(21 125 775)	13 159 647	33 096 893	(20 236 447)	12 860 446
Water Supply Network Infrastructure	2 823 645	(1 581 241)	1 242 404	2 823 645	(1 440 059)	1 383 586
Electrical Network Infrastructure	127 320 336	(58 938 800)	68 381 536	127 320 336	(55 904 888)	71 415 448
Sanitation Network Infrastructure	835 580	(501 526)	334 054	835 580	(474 402)	361 178
Solid Waste Infrastructure	2 599 976	(2 188 764)	411 212	2 599 976	(2 102 098)	497 878
Work in progress	121 419 995	(2 941 741)	118 478 254	81 474 266	-	81 474 266
Total	1 283 425 883	(589 987 376)	693 438 507	1 225 560 441	(559 632 903)	665 927 538

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Write-offs	Transfers received	Transfers	Expensed	Depreciation	Impairment loss	Total
Land	124 390 229	-	-	-	-	-	-	-	124 390 229
Buildings	20 117 045	-	-	-	-	-	(3 821 208)	-	16 295 837
Machinery and equipment	15 094	-	(590)	-	-	-	(5 580)	-	8 924
Furniture and fixtures	602 565	33 813	(4 028)	-	-	-	(216 480)	-	415 870
Motor vehicles	3 319 170	-	-	-	-	-	(796 405)	-	2 522 765
Office equipment	33 120	-	(238)	-	-	-	(5 065)	-	27 817
Computer equipment	946 015	235 436	(30 309)	-	-	-	(227 455)	-	923 687
Other Assets	539 582	55 027	(420)	-	-	-	(76 464)	-	517 725
Infrastructure Community Assets	91 088 274	-	(4 317)	11 399 767	-	-	(6 222 629)	-	96 261 095
Roads Network Infrastructure	256 883 642	-	(604 533)	6 926 146	-	-	(13 137 804)	-	250 067 451
Storm Water Infrastructure	12 860 446	-	-	1 188 529	-	-	(889 328)	-	13 159 647
Water Supply Network Infrastructure	1 383 586	-	-	-	-	-	(141 182)	-	1 242 404
Electrical Network Infrastructure	71 415 448	-	-	-	-	-	(3 033 912)	-	68 381 536
Sanitation Network Infrastructure	361 178	-	-	-	-	-	(27 124)	-	334 054
Solid Waste Infrastructure	497 878	-	-	-	-	-	(86 666)	-	411 212
Work in progress	81 474 266	60 828 152	-	-	(19 514 442)	(1 367 981)	-	(2 941 741)	118 478 254
	665 927 538	61 152 428	(644 435)	19 514 442	(19 514 442)	(1 367 981)	(28 687 302)	(2 941 741)	693 438 507

Tswaing Local Municipality

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	124 317 334	-	-	72 895	-	-	-	124 390 229
Buildings	26 197 610	-	-	-	-	(4 256 657)	(1 823 908)	20 117 045
Machinery and equipment	29 894	-	(7 358)	-	-	(7 442)	-	15 094
Furniture and fixtures	945 739	-	(85 506)	-	-	(257 668)	-	602 565
Motor vehicles	3 248 141	1 530 000	(279 129)	-	-	(1 179 842)	-	3 319 170
Office equipment	46 072	-	(4 322)	-	-	(8 630)	-	33 120
Computer equipment	1 013 314	229 228	(61 827)	-	-	(234 700)	-	946 015
Other Assets	595 212	94 721	(74 015)	-	-	(76 337)	-	539 581
Community Facilities	96 548 758	-	-	10 093 082	-	(7 301 488)	(8 252 078)	91 088 274
Roads Network Infrastructure	262 726 872	-	-	10 739 177	-	(16 582 407)	-	256 883 642
Storm Water Infrastructure	12 621 536	-	-	1 114 070	-	(875 160)	-	12 860 446
Water Supply Network Infrastructure	1 524 768	-	-	-	-	(141 182)	-	1 383 586
Electrical Network Infrastructure	74 449 360	-	-	-	-	(3 033 912)	-	71 415 448
Sanitation Network Infrastructure	388 302	-	-	-	-	(27 124)	-	361 178
Solid Waste Infrastructure	584 544	-	-	-	-	(86 666)	-	497 878
Work in progress	61 607 030	41 886 460	-	-	(22 019 224)	-	-	81 474 266
	666 844 486	43 740 409	(512 157)	22 019 224	(22 019 224)	(34 069 215)	(10 075 986)	665 927 537

Tswaing Local Municipality

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Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Water supply network Infrastructure	Community Facilities	Total
Opening balance	31 872 121	11 345 896	994 075	25 997 200	11 264 974	81 474 266
Additions/capital expenditure	22 522 324	10 793 228	6 832 010	13 853 134	6 827 455	60 828 151
Expensed	(718 213)	-	-	-	(649 767)	(1 367 980)
Transferred to completed items	(7 853 747)	-	-	-	(11 660 695)	(19 514 442)
Impaired	(2 941 741)	-	-	-	-	(2 941 741)
	42 880 744	22 139 124	7 826 085	39 850 334	5 781 967	118 478 254

Reconciliation of Work-in-Progress 2020

	Roads Network Infrastructure	Electrical Network Infrastructure	Solid waste Infrastructure	Water supply network Infrastructure	Community Facilities	Total
Opening balance	33 372 091	10 932 984	994 075	-	16 307 880	61 607 030
Additions/capital expenditure	10 770 560	412 912	-	25 997 200	5 023 415	42 204 087
Transferred to completed items	(12 270 530)	-	-	-	(10 066 321)	(22 336 851)
	31 872 121	11 345 896	994 075	25 997 200	11 264 974	81 747 265

Expenditure incurred to repair and maintain property, plant and equipment

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

Repairs and maintenance - 814 729

Transfers in/out relates to projects that were recognised as Work in progress that have reached completion and now form part of additions of infrastructure assets, community assets or land and buildings.

The Work in progress is thus transferred from the Work in progress account to the infrastructure assets, community assets or land and buildings accounts.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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9. Property, plant and equipment (continued)

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

Tswaing Local Municipality

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10. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	953 000	-	953 000	953 000	-	953 000

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	953 000	953 000

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	953 000	953 000

Condition of heritage assets

As at 30 June 2021, the historical monument has been assessed to be in a good condition.

Restrictions on heritage assets

There are no restrictions on the title and disposal of the heritage assets.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
11. Other financial assets		
Designated at fair value		
Listed shares	527 933	489 182
Non-current assets		
Designated at fair value	527 933	489 182
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Old Mutual Limited (OMU) The municipality holds 5862 shares in Old Mutual (OMU). These shares were valued at R 13,50 per share as at 30 June 2021 (R 12,04 as at 30 June 2020). The share price was obtained from moneyweb.co.za	79 137	70 578
Old Mutual Limited (NED) The municipality holds 188 shares in Old Mutual (NED). These shares were valued at R 170,87 per share as at 30 June 2021 (R 101,55 as at 30 June 2020). The share price was obtained from moneyweb.co.za	32 123	19 091
Old Mutual Limited (QLT) The municipality holds 188 shares in Old Mutual (QLT). These shares were valued at R 29,46 per share as at 30 June 2021 (R 29,72 as at 30 June 2020). The share price was obtained from moneyweb.co.za	57 565	58 073
Sanlam Limited The municipality holds 5793 shares in Sanlam. These shares were valued at R 61,99 per share as at 30 June 2021 (R 58,94 as at 30 June 2020). The share price was obtained from sharenet.co.za	359 109	341 440
	527 934	489 182

Reconciliation of financial assets at fair value through surplus or deficit

2021

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual (OMU)	70 578	8 559	79 137
Old Mutual (NED)	19 091	13 032	32 123
Old Mutual (QLT)	58 073	(508)	57 565
Sanlam	341 440	17 669	359 109
	489 182	38 752	527 934

2020

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Old Mutual (OMU)	124 274	(53 696)	70 578
Old Mutual (NED)	47 602	(28 511)	19 091
Old Mutual (QLT)	49 026	9 047	58 073
Sanlam	452 781	(111 341)	341 440
	673 683	(184 501)	489 182

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
12. Payables from exchange transactions		
Trade payables	143 341 572	154 183 508
Payments received in advanced	6 921 994	893 796
Retentions	12 690 460	11 261 253
Other payables	80 262 257	57 125 236
Accrued leave pay	8 977 740	8 541 123
Accrued bonus	1 964 325	1 981 580
Petrol card	143	2 797
	254 158 491	233 989 293

13. Consumer deposits

Rates	1 278 972	1 242 112
Housing rental	843	11 198
	1 279 815	1 253 310

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	3 400 038	3 881 275
Disaster Management Grant	-	85 885
LG Seta	-	165 600
Intergrated National Electrification Programme (INEP)	2 553 887	-
Energy Efficiency and Demand Side Management Grant (EEDS)	53 900	-
	6 007 825	4 132 760

Movement during the year

Balance at the beginning of the year	4 132 760	-
Additions during the year	69 394 704	63 716 380
Income recognition during the year	(67 014 639)	(59 583 620)
Roll-over denied	(505 000)	-
	6 007 825	4 132 760

15. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	31 947 889	238 157	-	1 399 318	33 585 364
Employee long service benefit cost	6 532 835	480 134	(904 581)	1 151 011	7 259 399
	38 480 724	718 291	(904 581)	2 550 329	40 844 763

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	24 820 302	6 325 891	-	801 696	31 947 889
Employee long service benefit cost	6 213 903	485 873	(474 539)	307 598	6 532 835
	31 034 205	6 811 764	(474 539)	1 109 294	38 480 724

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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15. Provisions (continued)

Environmental rehabilitation provision

The municipality has a present obligation to ensure rehabilitation of the land fill sites used after the economic life of the land fill site has been fully utilised.

Financial assumptions used:

Adjustment of unit costs:

The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering Indices and the Contract Price Adjustment Factors using the co-efficient's for Earthworks as provided in the General Conditions of Contract.

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditure expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material.

GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

Normally corporate bond rates are used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate.

The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2020 was 11.28% p.a. The consumer price inflation of 6.61% p.a. was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves).

Uncertainties regarding the calculation and estimation of the provision:

A number of variables impact on the eventual rehabilitation and closure costs by either increasing or decreasing the basic unit cost.

Variables that are (normally) out of the control of the municipality:

- Length of perimeter of the landfill.
- Location of landfill in water-deficit or water-surplus area.
- Availability of suitable capping material on-site or in the vicinity.
- Availability of top-soiling and vegetating material on-site.
- Requirement for a gas control system

Variables that relate to availability of information:

- Availability and quality of technical reports, including End-Use Plan and Closure Design.
- Occurrence of environmental impacts of landfill (confirmed by monitoring).
- Occurrence of gas/air quality problems experienced (confirmed by monitoring).
- Occurrence of significant leachate problems (confirmed by monitoring).

Variables that relate to management practices:

- Whether the landfill is permitted/licensed or not.
- Existence and functioning of monitoring committee for landfill, including stakeholders.
- Quality of on-going operation of landfill in respect of compacting and trimming of areas already used.
- Whether available top-soiling material is actively managed to retain its quality characteristics for closure purposes.
- Existence and condition of fence.
- The remaining lifespan of the landfill.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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15. Provisions (continued)

Long service provision

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively once only the date on which the various periods of continues service have been completed, as follows.

After 10 years service - 10 working days
After 15 years service - 20 working days
After 20 years service - 30 working days
After 25 years service - 30 working days
After 30 years service - 30 working days
After 35 years service - 30 working days
After 40 years service - 30 working days
After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

Key assumptions

Assumption	2021	2020
Discount rate	7.87%	8.20%
CPI	4.91%	3.16%
Salary increase rate	5.91%	4.16%
Net discount rate	1.85%	3.88%

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Salary Increase

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.88% less than the corresponding discount rate, in the long term.

The effect of a one percent increase and decrease in the salary inflation rates is as follows

	1% decrease	Valuation basis	1% increase
Employer's accrued liability	6 827 408	7 259 399	7 734 896
Current service cost	448 703	523 731	562 667
Interest cost	487 666	521 663	559 085

As per the table above, a 1% increase in the salary increase rate results in a 6.55% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.95% decrease in the accrued liability.

Tswaing Local Municipality

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Figures in Rand	2021	2020
16. Revenue		
Service charges	119 439 890	88 935 400
Rental of facilities and equipment	20 569	153 953
Licences and permits	4 392 182	2 289 516
Other income	234 400	3 332 922
Interest received - investment	371 373	280 933
Dividends received	17 906	24 845
Property rates	25 912 237	19 331 233
Government grants & subsidies	217 158 039	177 942 622
Donations	2 500 000	-
Fines	50 600	146 643
Other income	-	76 395
	370 097 196	292 514 462
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	119 439 890	88 935 400
Rental of facilities and equipment	20 569	153 953
Licences and permits	4 392 182	2 289 516
Other income	234 400	3 332 922
Interest received - investment	371 373	280 933
Dividends received	17 906	24 845
	124 476 320	95 017 569
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	25 912 237	19 331 233
Transfer revenue		
Government grants & subsidies	217 158 039	177 942 622
Donations	2 500 000	-
Fines	50 600	146 643
Other income	-	76 395
	245 620 876	197 496 893
17. Service charges		
Sale of electricity	86 936 417	57 906 021
Sale of water	8 643 848	8 280 189
Sewerage and sanitation charges	12 245 794	11 676 648
Refuse removal	11 613 831	11 072 542
	119 439 890	88 935 400

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
18. Other income		
Other income	234 400	3 409 317
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Cemetery & Burial Services	159 633	178 319
Incidental surplus	-	21 382
Insurance income	-	3 045 723
Photocopies and faxes	-	370
Plan and Development	41 747	42 643
Sale of property	-	28 000
Valuation services	33 020	16 485
	234 400	3 332 922
The amount included in other revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Amounts written off by creditors	-	75 446
Discount received for early payment	-	949
	-	76 395
19. Investment revenue		
Dividend revenue		
Other financial asset	17 906	24 845
Interest revenue		
Bank	371 373	280 933
	389 279	305 778
20. Property rates		
Rates		
Residential	3 920 907	2 808 878
Commercial	3 425 683	2 058 792
State	12 331 977	8 374 860
Agricultural	5 998 280	4 968 557
Industrial	235 390	1 120 146
	25 912 237	19 331 233
Property Market Values		
Agricultural	-	3 654 200
Business	429 433 548	218 100 250
Farms	3 226 515 647	2 818 784 523
Government	489 948 405	269 182 602
Industrial	39 007 916	186 740 300
Municipal	171 578 598	106 810 500
Non- Rateable	-	180 509 302
Process of transfer	-	527 400
Residential	1 136 920 795	746 471 100
Schools	-	88 713 270
	5 493 404 909	4 619 493 447

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
21. Government grants and subsidies		
Operating grants		
Equitable share	147 158 000	115 359 000
Financial management grant	3 000 000	2 880 000
EPWP	1 187 000	1 232 000
Ngaka Modiri Molema District Municipality	-	3 000 000
Disaster management grant	-	182 115
LG Seta	165 600	-
	151 510 600	122 653 115
Capital grants		
Municipal infrastructure grant (MIG)	34 804 122	25 392 725
Water Relief Grant	18 431 104	29 896 782
Intergrated National Electrification Programme (INEP)	9 771 113	-
Energy Efficiency and Demand Side Management Grant (EEDS)	2 641 100	-
	65 647 439	55 289 507
	217 158 039	177 942 622
Municipal infrastructure grant		
Balance unspent at beginning of year	3 881 275	-
Current-year receipts	34 742 000	29 274 000
Conditions met - transferred to revenue	(34 804 122)	(19 724 957)
Conditions met - transferred to revenue: Prior Year	-	(5 667 768)
Roll-over withheld	(419 115)	-
	3 400 038	3 881 275
Conditions still to be met - remain liabilities (see note 14).		
The Municipal Infrastructure Grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities		
Financial management grant		
Current-year receipts	3 000 000	2 880 000
Conditions met - transferred to revenue	(3 000 000)	(2 880 000)
	-	-
The Financial Management Grant is intended for the improvement of the financial management systems (mainly budget and treasury department) within the municipality.		
Library grant		
The Library Grant is used to provide the municipality with finance for operation and administration of the librabries in the communities..		
Disaster Management Grant		
Balance unspent at beginning of year	85 885	-
Current-year receipts	-	268 000
Conditions met - transferred to revenue	-	(182 115)
Roll-over withheld	(85 885)	-
	-	85 885
The Disaster Management Grant is intended to assist with the current COVID 19 pandemic.		

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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21. Government grants and subsidies (continued)

LG Seta

Balance unspent at beginning of year	165 600	-
Current-year receipts	-	165 600
Conditions met - transferred to revenue	(165 600)	-
	-	165 600

The LG Seta Grant is intended for learnerships within the Municipality..

EPWP

Current-year receipts	1 187 000	1 232 000
Conditions met - transferred to revenue	(1 187 000)	(1 232 000)
	-	-

The EPWP Grant is intended to incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines

Water Relief Grant

Current-year receipts	15 445 704	19 043 076
Conditions met - transferred to revenue	(18 431 104)	(29 896 782)
Debtor Raised	2 985 400	10 853 706
	-	-

The Water Relief Grant is intended to improve the provision of water to communities within the Municipality .

INEP

Current-year receipts	12 325 000	-
Conditions met - transferred to revenue	(9 771 113)	-
	2 553 887	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

EEDS

Current-year receipts	2 695 000	-
Conditions met - transferred to revenue	(2 641 100)	-
	53 900	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Tswaing Local Municipality

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Figures in Rand	2021	2020
22. Employee related costs		
Basic	56 444 576	57 012 476
Bonus	4 718 951	4 599 432
Medical aid - company contributions	4 933 804	4 588 069
UIF	398 520	403 397
Danger Allowance	543 400	-
SDL	581 225	596 324
Post employment benefits	4 438 389	2 066 608
Group life Insurance	538 060	527 953
Travel, motor car and other allowances	3 245 329	3 538 640
Overtime payments	3 072 050	3 244 514
Long-service awards	480 134	485 873
Acting allowances	1 283 391	1 107 028
Housing benefits and allowances	615 363	587 935
Leave expense	998 201	1 354 676
Telephone allowance	396 400	359 200
Stand-by allowance	673 689	735 257
Bargaining Council	27 423	27 048
Pension	10 727 295	10 955 124
	94 116 200	92 189 554

Remuneration of Municipal Manager

Annual Remuneration	552 456	552 456
Housing Allowance	154 608	154 608
Car Allowance	257 694	257 694
Phone Allowance	14 400	14 400
Remote Allowance	41 112	41 112
Bonus	16 500	50 338
	1 036 770	1 070 608

Remuneration of Chief Finance Officer

Annual Remuneration	480 564	481 871
Housing Allowance	98 000	98 000
Car Allowance	189 743	189 743
Phone Allowance	12 000	13 200
Remote Allowance	33 755	33 755
Bonus	78 000	68 500
	892 062	885 069

Remuneration of Acting Technical Services Director

Annual Remuneration	456 192	322 016
Acting allowance	48 198	50 028
Car Allowance	164 730	123 548
Phone Allowance	13 200	9 900
Bonus	38 016	35 780
Contributions to UIF, Medical and Pension Funds	116 219	81 907
	836 555	623 179

Acting Technical Services Director Mokgetho G.S was acting until 31 March 2020, Mr Mojaki Tinyane subsequently took over as Acting Technical Services Director from 01 April 2020 to 30 June 2020. He was seconded from the Department of COGTA. The department of COGTA was paying his salaries until the 30th of June 2020.

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22. Employee related costs (continued)

Remuneration of Corporate Services Director

Annual Remuneration	507 780	487 548
Housing Allowance	116 526	99 544
Car Allowance	132 000	184 931
Phone Allowance	12 000	12 000
Remote Allowance	33 755	51 718
Bonus	90 000	63 017
	892 061	898 758

Remuneration of Acting Community Services Director

Annual Remuneration	456 192	250 457
Acting allowance	51 592	40 764
Car Allowance	167 280	63 189
Phone Allowance	13 200	7 700
Housing Allowance	11 574	-
Bonus	38 016	35 780
Contributions to UIF, Medical and Pension Funds	130 050	56 141
	867 904	454 031

The Acting Community services director Moeti S.B was acting in this position until 31 January 2020, no subsequent appointments have been made in regard to the position.

23. Remuneration of councillors

Executive Mayor	860 856	849 538
Speaker	732 395	661 769
Chief Whip	594 169	590 586
Mayoral committee members	2 516 950	2 431 123
Councillors	5 962 332	6 561 309
	10 666 702	11 094 325

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

Councillors arrear consumer accounts are disclosed in the related party note, refer to note 38.

24. Depreciation and amortisation

Property, plant and equipment	28 687 301	34 069 213
Investment property	153 100	153 100
	28 840 401	34 222 313

25. Impairment of assets

Impairments

Property, plant and equipment	2 941 741	10 075 986
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Tswaing Local Municipality

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Figures in Rand	2021	2020
26. Finance costs		
Interest on fair value of employment benefits awards and & environmental Bank	3 559 412	5 747 590
Interest on late payments	505	-
	6 889 217	11 840 869
	10 449 134	17 588 459
27. Debt impairment		
Receivables from exchange	166 615	807 294
Trade Receivables from non-exchange	8 012 459	10 796 408
Trade Receivables from exchange	72 363 018	27 020 140
	80 542 092	38 623 842
28. Bulk purchases		
Electricity - Eskom	42 509 013	39 645 127
Water	479 558	459 354
	42 988 571	40 104 481
29. Contracted services		
Outsourced Services		
Business and Advisory	666 438	2 455 800
Security Services	6 732 349	3 390 713
Consultants and Professional Services		
Business and Advisory	17 541 206	9 056 702
	24 939 993	14 903 215

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. General expenses		
Advertising	39 726	186 002
Auditors remuneration	1 859 877	2 274 229
Bank charges	402 162	393 947
Commission paid	3 364 621	3 580 571
Computer expenses	484 536	105 567
Consulting and professional fees	12 932 352	8 325 286
Consumables	1 260 610	1 589 216
Hire	11 075	-
Insurance	1 764 737	1 653 424
Community development and training	4 981 427	4 473 855
Motor vehicle expenses	102 131	2 308
Fuel and oil	2 036 035	2 451 486
Environmental rehabilitation provision expense	238 157	6 325 891
Printing and stationery	234 513	703 366
Protective clothing	261 951	316 576
Repairs and maintenance	1 642 149	3 500 927
Sitting Allowance	125 000	160 000
Subscriptions and membership fees	1 137 644	1 025 579
Telephone and fax	3 659 193	2 563 802
Transport and freight	148 986	213 147
Training	48 467	606 716
Travel - local	1 012 360	685 141
Refuse	-	23 739
Assets expensed	778 213	-
Catering Services	568	68 169
Electricity purchase: small amounts	5 575 191	6 472 415
Other expenses	42 000	-
	44 143 681	47 701 359
31. Fair value adjustments		
Other financial assets		
• Other financial assets (Held for trading)	38 751	(184 501)
32. Auditors' remuneration		
Fees	1 859 877	2 274 229
33. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	1 008 880	664 827
Loss on sale of property, plant and equipment	(644 434)	(512 157)
Impairment on property, plant and equipment	2 941 741	10 075 986
Gains on biological assets	(17 350)	(321 850)
Depreciation on property, plant and equipment	28 687 301	34 069 213
Depreciation on investment property	153 100	153 100
Employee costs	94 116 200	92 189 554
Councillors remuneration	10 666 702	11 094 325

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
34. Cash generated from operations		
Surplus (deficit)	25 103 887	(372 404)
Adjustments for:		
Depreciation and amortisation	28 840 401	34 222 313
Gain on biological assets	(38 751)	(321 850)
Actuarial gain/ loss	(2 251 083)	(16 945 357)
Loss on disposal	644 434	512 157
Asset expensed	1 367 981	-
Environmental Rehabilitation	238 157	6 325 891
Fair value adjustments	(17 350)	184 501
Finance Costs	10 448 629	17 588 459
Long service provision	480 134	485 872
Post employment benefits	4 438 389	2 066 608
Impairment loss	2 941 741	10 075 986
Debt impairment	80 542 092	38 623 842
Bad debts written off	3 024 348	555 148
Movements in retirement benefit assets and liabilities	(729 217)	(759 487)
Movements in provisions	(904 581)	(474 540)
Inventory losses	10 771	60 294
Loss on undeposited receipts	722 840	133 305
Other Income from non - exchange	-	(76 395)
Donations	(2 500 000)	-
Changes in working capital:		
Inventories	(104 842)	365 938
Receivables from exchange transactions	143 686	(16 882 936)
Receivables non exchange	(13 149 408)	(10 045 251)
Trade receivables from exchange transactions	(88 353 614)	(42 552 700)
Payables from exchange transactions	12 557 144	24 494 722
VAT	10 311 274	(683 350)
Unspent conditional grants and receipts	1 875 065	4 132 760
Consumer deposits	26 505	29 833
	75 668 632	50 743 359

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	21 021 400	26 581 434
Not yet contracted for and authorised by accounting officers		
• Property, plant and equipment	29 151 163	3 266 754
Total capital commitments		
Already contracted for but not provided for	21 021 400	26 581 434
Not yet contracted for and authorised by accounting officers	29 151 163	3 266 754
	50 172 563	29 848 188
Authorised operational expenditure		
Already contracted for but not provided for		
• Financial Statements Preparation	7 130 674	4 838 855
• Asset Management	3 556 396	3 220 000
• Security Services	10 166 003	-
• Financial System Management	-	1 157 489
	20 853 073	9 216 344
Total operational commitments		
Already contracted for but not provided for	20 853 073	9 216 344
Total commitments		
Total commitments		
Authorised capital expenditure	50 172 563	29 848 188
Authorised operational expenditure	20 853 073	9 216 344
	71 025 636	39 064 532

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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36. Contingencies

Court Proceedings:

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities is uncertain.

The following cases listed below are pending and there is no reasonable estimate for future outflow amounts;

The amounts disclosed below are possible outflows amounts based on the lawyers:

Litigation and claims

B Smith vs the municipality is reviewing the award	-	500 000
Molene vs the municipality is reviewing the award	400 000	400 000
PanaPoint is alleging that the municipality is indebted to them for services rendered (Honey Sucking)	2 829 224	2 829 224
MRL Incorporated - Company is suing the municipality for a cancelled contract in the 17/18 financial year	1 540 000	1 540 000
Glover J - suing for damages	385 053	385 053
Municipal Rates (Pty) Ltd - Company is claiming the municipality for collected rates not using MPRA	3 721 673	3 721 673
	8 875 950	9 375 950

Contingent assets

2020

The Department of Human Settlements donated land to the Municipality valued at R 2 500 000. The agreement was signed on 30 April 2020, however ownership will only pass to the municipality when the title deeds have been registered in the name of the municipality

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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37. Related parties

Relationships

Members of key management

Accounting Officer

Chief Finance Officer

Corporate Services Director

Mayor

Speaker

Chief Whip

Councillors

Name

Mr M.I. Moruti

Mr R.E. Mogoje

Mrs V.K. Ndongeni

Hon Cllr L. Malwane

Hon Cllr U.P. Lobelo

Hon Cllr T.A. Morei

Cllr L. Bome

Cllr S.V. Moremedi

Cllr M.M. Moreo

Cllr K.E. Blou

Cllr S.T. Lerumo

Cllr A.T. Modise

Cllr B. Phutiyagae

Cllr N.J. Molehabangwe

Cllr T.E. Chabanku

Cllr T.S. Tsholo

Cllr M.E. Booi

Cllr M.S. Letlakane

Cllr A.T. Mabovu

Cllr P.M. Mokoto

Cllr T.D. Mthimkulu

Cllr O.J. Makalela

Cllr E.S. Sedumoeng

Cllr S. Viljoen

Cllr E.M. Thobengani

Cllr T.P. Miga

Cllr J.K. Mangwejane

Cllr L.Y. Taljaard

Cllr G.E. Kgasu

Cllr K.C. Seduko

Cllr G.B. Madebe

Cllr J.H. Botha

Kgosi J.E.F. Moete

Kgosi C. Moshoeette

The above key management's salaries are disclosed in note 22 and 23.

Related party balances

Receivables - Owing by councillors

AT Mabovu	42 249	21 569
NJ Molehabangwe	22 225	18 677
ME Booi	-	20 305
LY Taljaard	-	29 432
M S Letlakane	19 215	-
S Viljoen	41 290	31 692
T Morei	-	16 227
L Bome	12 338	-
T S Tsholo	23 253	-
J H Botha	39 892	-

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38. Risk management

Financial risk management

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 budget and treasury department (BTO) 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.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the budget and treasury department under policies approved by . Municipality budget and treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of 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. Liquidity risk is managed by ensuring that all assets are re-invested 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.

The 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.

As at 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	254 158 491	0	0	0
As at 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	233 989 293	0	0	0

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38. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Possible risk will arise from customers not being able to pay their outstanding debt. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. A consideration of individual customer circumstances must be made as services do still need to be provided to customers, while ensuring payments are made.

The municipality does not hold any collateral to mitigate against credit risk..

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

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

Financial instrument	2021	2020
Receivables from exchange transactions	13 323 030	16 657 679
Receivables from non-exchange transactions	13 306 253	8 169 303
Trade and other receivables from exchange	42 824 464	37 681 751
VAT Receivable	10 310 349	9 772 244
Bank balances and cash	22 433 211	7 917 007

Trade Receivables from exchange transactions, Receivables from exchange transactions and Receivables from non-exchange transactions

Receivables are amounts owing by consumers, and are presented on the Statement of Financial Position 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.

There were no material changes in its objectives, policies and processes for managing and measuring the risk during the year in review. The municipality's strategy for managing its risk includes encouraging residents to install prepaid electricity meters. A deposit is required for new service connections.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The municipality has no significant concentration of credit risk, with exposure spread over multiple consumers and not concentrated in any particular sector or geographic area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The outstanding amounts of the ten largest debtors represent 9,12% (2020: 5,15%) of the total outstanding balance. The average credit period on services rendered is 30 days from date of invoice. No interest is raised on overdue accounts. The Entity has provided fully for all receivables outstanding over determined by reference to past default experience.

Market risk

Tswaing Local Municipality

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38. Risk management (continued)

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 of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The municipality is exposed to market risk in relation to the listed shares it holds. These shares are valued at their market price at each year end.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk. There has been no change to the Municipality's exposure to market risk on the manner in which manages.

Fair Values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy. 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, and 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.

2021

	Level 1	Level 2	Level 3	Total
Other financial assets	R 527 933			R 527 933

2020

Other financial assets	R 489 182			R 489 182
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Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

	2021	2020
Interest on late payments	6 889 217	11 840 869
Bank overdraft	505	

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit..

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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39. Material uncertainty relating going concern

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

To ensure this the Municipality has recently appointed a service provider to assist with among other things revenue enhancement, revenue protection, credit control and debt collection. The implementation plan is still at a planning phase and data collection.

In addition, the Municipality will be advertising on e-tender for the acquisition of a service provider to assist with the collection of government debt.

Furthermore, as part of the ongoing business improvement drive, the Municipality recently upgraded its financial system from Venus to Solar. This should assist in ensuring improved planning, budgeting and stricter budgeting control as well as financial management control.

Measures to reduce costs will also be implemented particularly around consulting and professional fees.

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

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days, credit payment period is currently at 737,5 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

Debtors are currently not paying as their debt falls due, the debtors collection period is currently sitting at 212,6 days

The outbreak of COVID 19 which was declared by the World Health Organisation is still impacting South Africa as the country is still under lockdown regulations which began in March 2020 and are still in effect in other sectors, in spite of this, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) will also be used to support salaries during this period.

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

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic 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.

40. Events after the reporting date

On the 22nd of September 2021 the Municipality was placed under administration by invoking section 139(1)(c) of the Constitution of Republic of South Africa. Mr Moatlhodi J. Dilotsotlhe has been appointed to be the Administrator and the Municipal Manager and the Chief Financial Officer were placed on suspension. Mr Tshiamo Letlhogile has been appointed as the Acting Municipal Manager.

41. Fruitless and wasteful expenditure

Opening balance as previously reported	63 401 910	48 354 195
Correction of prior period error	-	559 860
Opening balance as restated	63 401 910	48 914 055
Add: Expenditure identified - current	6 484 433	14 491 278
Less: Amount written off - current	-	(3 423)
Closing balance	69 886 343	63 401 910

Amounts written off relate to interest that was written off by the supplier.

Tswaing Local Municipality

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Figures in Rand	2021	2020
42. Irregular expenditure		
Opening balance as previously reported	411 420 695	310 745 543
Correction of prior period error	9 903 927	-
Opening balance as restated	421 324 622	310 745 543
Add: Irregular Expenditure - current	105 524 104	100 675 152
Closing balance	526 848 726	411 420 695

43. Material losses

The municipality incurred losses in distribution of electricity amounting to 2021: R 2 595 437 (2020: R 14 942 196). The distribution losses incurred for the distribution of water could not be ascertained as the municipality does not buy water as they use natural water from boreholes. Therefore it is impractical to measure natural water source from the reservoirs.

44. Budget differences

Material differences between budget and actual amounts

The differences between budget and actual amounts have been detailed below and explanations were provided for material balance movements, the differences are detailed in the Statement of Comparison of Budget and Actual Amounts.

Explanations :

N1 - The Municipality went through an exercise of revenue enhancement which included replacing the meters which yielded positive results and an increase in revenue that was not expected thus the actual amount is higher than the budgeted amounts.

N2 - This was not budgeted for as the income was affected by COVID 19 in the prior year, thus there was no expectation for this income.

N3 - Actual amounts are higher than the budgeted amounts as a result of the Delareyville station being fully functional for the year. In the prior year it was only functional for part of the year.

N4 - Actual amounts are higher than the budgeted amounts as result of an unexpected increase in cemetery fees in the current financial year.

N5 - Actual amount is higher than the budgeted amounts as a result of more efforts being made to deposit grants received in Municipality's money market account until payments related to those grants are made.

N6 - The budget for this item was reduced in the current year due a decrease that was experienced in the prior year to the income thus there was an expectations for further reductions.

N7 - Estimations on the revenue expected from the new valuation roll were not done correctly thus resulting in the budgeted amount being higher than the actual amount.

N8 - The budgeted amount is lower than the actual amount as a result of additional MIG and water grant funds being received.

N9 - This item was not budgeted for as a result on the donation not being an expected transactions in the 20/21 financial year.

N10 - The budgeted amount is higher than the actual amount as a result of the lockdown regulations. Traffic Officers were not as active as they were in the previous year.

N11 - The budgeted amount is higher than the actual amount as a result of a number of resignations/dismals, death of employees and those that have retired. Due COVID some employees have also not needed to work any overtime thus also reduce the actual amounts.

N12 - The expenditure for the sitting allowances of the Local Chiefs (Kgosi's) was incorrectly budgeted for under this vote instead of being budgeted for in the general expenditure votes thus the budget amount is higher than the actual amount.

Tswaing Local Municipality

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Notes to the Annual Financial Statements

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44. Budget differences (continued)

N13 - Due to budgetary constraints experienced by the Municipality the budget for depreciation needed to be reduced thus the budget amount is lower than the actual amount.

N14 - Impairment losses were not budgeted for as there was no expectations for impairments.

N15 - Due to budgetary constraints experienced by the Municipality the budget for finance costs was not budgeted appropriately as the Municipality needed to limit their expenditure as the budget was unfunded, thus the budget amount is lower than the actual amount.

N16 - Due to budgetary constraints experienced by the Municipality operating leases could not be budgeted for as the Municipality needed to limit their expenditure as the budget was unfunded, thus the budget amount is lower than the actual amount.

N17 - Actual amount is higher than the budgeted amount as a result of an increased debtor balance and a reduction in paying patterns from customers thus there was an unexpected increase in the actual expenditure.

N18 - These losses were not budgeted for as there was no expectations for the transactions.

N19 - Due to budgetary constraints experienced by the Municipality the budget for bulk purchases was not budgeted appropriately as the Municipality needed to limit their expenditure as the budget was unfunded, thus the budget amount is lower than the actual amount.

N20 - The budget amount is higher than the actual amount as there was an expectation to enter into additional contracts and that was completed in the 20/21 financial year end.

N21 - Due to budgetary constraints experienced by the Municipality, fines & penalties could not be budgeted for as the Municipality needed to limit their expenditure as the budget was unfunded, thus the budget amount is lower than the actual amount.

N22 - Due to budgetary constraints experienced by the Municipality general expenses could not be budgeted for as the Municipality needed to limit their expenditure as the budget was unfunded, thus the budget amount is lower than the actual amount.

N23 - This vote was not budgeted for as there was no expectations for the transactions.

N24 - This vote was not budgeted for as there was no expectations for the transactions.

N25 - This vote was not budgeted for as there was no expectations for the transactions.

N26 - This vote was not budgeted for as there was no expectations for the transactions.

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45.

Post retirement medical aid plan

The Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain 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 condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, 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.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2021.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The Post Employment Health Care Benefit Plan is a defined benefit plan.

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

Discount rate	12.92%	12.92%
Consumer Price Inflation	11.97%	7.20%
Health Care Cost Inflation	7.26%	8.70%
Net Effective Discount Rate	8.76%	3.88%
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90.

SENSITIVITY ANALYSIS

Medical Inflation Rate

The effect of a 1% decrease or increase in the medical inflation rate is as follows:

	1% decrease	30 June 2021 Valuation Basis	1% Increase
Employer's accrued liability	27 786 315	33 284 166	37 837 646
Service Cost	1 183 865	1 475 605	1 418 605
Interest Cost	2 217 980	3 803 883	3 222 798

As per the table above, a 1% increase in the medical inflation rate results in a 17.20% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 13.93% decrease in the accrued liability.

Mortality

	30 June 2021 Valuationbasis SA85-90 R	PA(90) -3 R
Employer's accrued liability	32 284 160	32 698 991
Service cost	1 472 605	1 472 605
Interest cost	3 803 883	3 523 631

PA (90) -3 (with a three year age adjustment) means that each beneficiary was assigned a mortality rate of an individual three years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlights the effects of a one year adjustment to the mortality assumption as at 30 June 2021. The adjustment would result in a 1.28% increase in the liability.

Tswaing Local Municipality

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45. (continued)		
The amounts recognised in the statement of financial position are as follows:		
Opening Balance	(31 856 587)	(42 856 526)
Current Service Cost	(1 668 533)	(2 066 608)
Current Interest Cost	(4 438 389)	(4 455 000)
Actuarial Gain/(Loss)	2 910 533	16 762 061
Utilised During the Current Year	729 217	759 486
	(34 323 759)	(31 856 587)
Non-current liabilities	(33 312 360)	(31 010 112)
Current liabilities	(1 011 399)	(846 475)
	(34 323 759)	(31 856 587)
Net expense recognised in the statement of financial performance		
Current service cost	1 668 533	2 066 608
Interest cost	4 438 389	4 455 000
Actuarial (gains) losses	(2 910 533)	(16 762 061)
	3 196 389	(10 240 453)
46. Unauthorised expenditure		
Opening balance as previously reported	503 502 632	398 582 004
Opening balance as restated	503 502 632	398 582 004
Add: Expenditure identified - current	116 486 966	104 920 628
Closing balance	619 989 598	503 502 632
47. Actuarial gains/losses		
Post Employment Medical Aid	(2 910 553)	16 762 061
Long Service Award	659 470	(183 296)
	(2 251 083)	16 578 765
48. Fines and penalties		
Other subsidies		
Breach of Contracts	1 200 000	-
Other	1 060 705	1 540 307
	2 260 705	1 540 307

Breach of contract: 2021 - The Municipality breached an agreement with a supplier for a project, Epicon Engineers (Pty) Ltd

Other fines & penalties mostly relate to penalties from SARS as a result of late submission/payment of EMP201's and VAT201's.

Tswaing Local Municipality

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Figures in Rand	2021	2020
49. Loss due to undeposited receipts		
Municipal Losses	700 595	84 014
Department Losses	22 245	49 291
	722 840	133 305

Loss due to undeposited receipts relates to amounts not deposited to the Municipality's bank account and the bank account of the Department of Transport, Admin and Licencing in relation to revenue from the traffic department which the Municipality administered on behalf of the department and there is a relationship of distributing the revenue between the Municipality and Department 20/80.

50. Principle - agent arrangement

Commission expense	2 630 920	1 835 327
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The Municipality is in a principal - agent arrangement with CigiCell (Pty) Ltd, where the Municipality is the principal and CigiCell is the agent.

Under the arrangement, there are no resources of the Municipality under the custodianship of CigiCell.

There would be no resource or cost implications for the Municipality if the principal - agent arrangement is cancelled.

51. Prior period errors

In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors, all prior period errors should be disclosed in accordance to the standards:

During the current period adjustments were processed for the previous financial periods. The overall difference for the 2020 financial year below reflects the adjustments.

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

1. Land inventory was overstated and Investment property was understated both by R 5 656 447 due to a salt pan that was incorrectly classified as Land inventory instead Investment property.
2. Land inventory and Accumulated surplus were both overstated by R 1 743 323,26 as a result of Land inventory that the Municipality does not have control over. There are buildings owned by entities on this land thus the Municipality does not have the associated risks and rewards that come with the land.
3. Land inventory and Consumables (land sales) were both overstated by R 75 000 as a result of land that was sold in the 19/20 year end but the transaction was not accounted for in the GL.
4. Land inventory and Accumulated surplus were both overstated by R 2 due to land that was duplicated on the land register of the Municipality.
5. Land inventory and Accumulated surplus were both understated by R 196 due to land that belongs to the Municipality not being capitalised.
6. Land inventory was understated and Investment property was overstated, both by R 151 000 due to land that was incorrectly classified as Investment property instead of Land inventory.
7. Investment property and Accumulated surplus were both overstated by R 2 122 000 as a result of land that does not belong to the Municipality being capitalised as Investment property.
8. Investment property was overstated by R 35 000 (Cost: R 194 000 & Accumulated Depreciation: 159 000) Depreciation was overstated by R 11 290 and Accumulated surplus overstated by R 46 920 as a result of Buildings not belonging to the Municipality being capitalised and depreciated.

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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51. Prior period errors (continued)

9. Trade receivables from exchange and Accumulated surplus were both understated by R 9 677 999 as a result of revenue that was not recognised in the 18/19 year end.

10. Community assets were understated by R 25 734, VAT overstated by R 26 761 and depreciation understated by R 1 027 as a result of VAT being removed from a capitalised project while the service provider was not VAT vendor at the time thus the amount incurred did not have any VAT implications.

11. Retentions were overstated by R 344 388, PPE (Land) was overstated by R 2 828, PPE (Road Infrastructure) was overstated by R 281 948, PPE (Stormwater Infrastructure) was overstated by R 35 872 and depreciation was overstated by R 23 740 as a result of a retention payment being incorrectly capitalised as an addition to the relevant assets.

12. PPE (Land) and Accumulated surplus were both overstated by R 883 837 as a result of land that does not belong to the Municipality being capitalised.

13. PPE (Roads Infrastructure) was understated by R 3 589 498, Depreciation was overstated by R 5 389 732 and Accumulated Surplus overstated by R 1 800 232 as result of roads that were transferred from Ngaka Modiri District Municipality at a fair value that was not accurate. An Assessment of the fair value was done and the incorrect carrying amount was derecognised and the correct value recognised.

14. PPE (WIP) and Retentions were both understated by R 106 132 as a result of retention withheld that was not capitalised.

15. LSA provision was understated and actuarial loss was overstated both by R 16 498 as a result of an employee that was not accounted for in the original calculation.

16. Accrued leave provision was overstated by R 389 808, Accumulated surplus was understated by R 380 990 and Employee costs (leave pay expense) was overstated by R 8 818 as a result of a miscalculation of leave days owed to employees.

17. Other payables and Remuneration of councillors were both overstated by R 8 159 as a result of back pay that was incorrectly accrued for.

18. Contracted services were understated and general expenses overstated both by R 6 769 314 as a result of a misclassification of contracted services as general expenditure.

19. Trade payables and contracted services were both overstated by R 163 690,68 as a result of a credit note that was issued by a supplier in June 2020 and was not accounted for in the 19/20 year end.

20. Trade payables were understated by R 153 606, VAT receivable was understated by R 5 832 and Contracted services were understated by R 147 773, 17 as a result of an invoice from a supplier issued in June 2020 that was not accounted for in the 19/20 year end.

21. Fines and penalties were overstated by R 2 500 000 and Accumulated surplus was overstated by R 2 500 000 as a result of a breach of contract amount that related to the 18/19 year being accounted for in the 19/20 year end.

22. Trade payables were overstated and Other income from non-exchange transactions was understated by R 72 023 as a result of a supplier writing off the amount owed to them in the 19/20 year end but the reduction was not recorded in that financial year.

23. Trade payables were overstated and Accumulated surplus was understated both by R 8 875 as a result of a supplier writing off the amount owed to them in the 18/19 year end but the reduction was not recorded in that financial year.

24. Payables were overstated by R 1 900 908, Accumulated surplus understated by R 1 490 867, finance costs overstated by R 203 040 and fruitless and wasteful expenditure overstated by R as a result of transactions being recorded into books of the Municipality based on invalid information.

25. Trade payables were understated by R 460 980,14, VAT receivable was understated by R 35 452,97 and general expenses were understated by R 425 527 as a result invoices issued that relate to the 19/20 year end not being accounted for in that year end.

26. Trade payables were overstated by R 37 947, VAT receivable was overstated by R 4 949,68 and general expenses were overstated by R 32 997 as a result of incorrectly accounted for transactions in the 19/20 year end.

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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51. Prior period errors (continued)

27. Trade payables were understated by R 887 74,76, Accumulated surplus was understated by R 885 448 and general expenses were understated by R 2 308 as a result invoices issued that relate to the 19/20 year end not being accounted for in that year end.

28. Other payables were understated by R 6 774 927,91, finance costs was understated by R 2 727 459, Accumulated surplus was overstated by R 4 047 464 and fruitless & wasteful expenditure was understated by R 6 774 927,91 as a result of interest incurred on 3rd party transactions that was not accounted for in the 19/20 year end and prior year ends.

29. Trade payables, finance costs and fruitless & wasteful expenditure were all understated by R 23 541 as a result of interest incurred from a supplier not being accounted for in the 19/20 year end.

30. Trade payables were understated by R 11 465, VAT Receivable were understated by R 1 495 and General expenditure were understated by R 9 970 as a result of a supplier invoice relating to the 19/20 year end that was not accounted for.

31. PEMA provision was overstated and actuarial loss was understated both by R 5 800 523 as a result of an employee that was not accounted for in the original calculation.

32. In the 2020 year end the Department of Human Settlements donated land to the Municipality to the value of R 2 500 000. As of the 2020 year end the land had not been transferred as per the deeds office thus needed to be disclosed as a contingent asset. Transfer of the land was concluded in July 2020.

33. Cash receipts from ratepayers, government and others, Interest paid, Cash paid to suppliers & employees and Property, plant & Equipment were adjusted by an outflow of R 2 036 188, inflow of R 9 147 044, an outflow of R 7 322 421 and an inflow of R 211 495 respectively as a result of adjustments made to the 19/20 balances. There were corrections made to the methodology used in calculating the cashflow statement to more fairly present the cashflow movements for the year.

34. The following prior period errors were corrected on note 38 (Risk Management) as a result of adjustment made to the various balances:

Payables from exchange transactions increased by R 5 492 609 as a result of adjustments made to the balance and by R 14 569 17 as a result of incorrect disclosure in the 2020 AFS. The amount was disclosed as R 213 927 537 in the AFS instead of R 228 496 684 which was the balance in the 2020 year end. Trade and other receivables from exchange increased by R 9 678 000 as a result of adjustment made to the balance. VAT Receivable increased by R 11 070 as a result of adjustments made to the balance. Interest on late payments increased by R 2 547 959 as a result of adjustments made to the balance.

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

Statement of financial position

Inventories	-	(7 323 573)
VAT Receivable	-	11 070
Trade receivables from exchange transactions	-	9 678 000
Investment property	-	3 348 447
Property, plant and equipment	-	2 516 879
Payables from exchange transactions	-	(5 492 609)
Provisions	-	(16 498)
Employee benefit obligation	-	5 800 523
Accumulated surplus	-	(8 522 239)

Statement of financial performance

Other Income	-	72 023
Employee related costs	-	8 819
Remuneration of councillors	-	8 158
Depreciation and amortisation	-	5 423 734
Finance costs	-	(2 547 959)
Contracted services	-	(6 753 397)
Fines & penalties	-	2 500 000
General Expenses	-	6 496 504
Actuarial gains/losses	-	5 784 025

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Figures in Rand	2021	2020
51. Prior period errors (continued)		
Cash flow statement		
Cash flow from operating activities (Receipts)		
Cash receipts from ratepayers, government and others	-	(2 036 118)
Cash flow from operating activities (Payments)		
Interest paid	-	9 147 044
Cash paid to suppliers and employees	-	(7 322 421)
	-	1 824 623
Cash flows from investing activities		
Purchase of property, plant and equipment	-	211 495
52. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees Auditor General		
Opening balance	(3 547 734)	(1 947 201)
Current year subscription / fee	(2 087 655)	(2 830 402)
Amount paid - current year	3 151 094	1 229 869
	(2 484 295)	(3 547 734)
PAYE, SDL and UIF		
Opening balance	(28 335 168)	(23 524 828)
Current year subscription / fee	(24 378 320)	(17 297 372)
Amount paid - current year	-	6 971 647
Amount paid - previous years	13 813 087	5 515 385
	(38 900 401)	(28 335 168)
South African Local Government Association		
Opening balance	(1 026 760)	(1 011 585)
Current year subscription / fee	(1 134 644)	(1 021 241)
Amount paid - current year	1 006 480	1 006 066
	(1 154 924)	(1 026 760)
VAT		
VAT receivable	10 310 349	9 773 740

The municipality submits VAT 201's to SARS on the payment basis, while the VAT payable above is on an accrual basis. This results in time differences between amounts reflected by SARS and the municipality on VAT.

All VAT returns have been submitted by the due date throughout the year.