










TSANTSABANE LOCAL MUNICIPALITY
Parameters to be completed for Current Year

Name of Authority	TSANTSABANE LOCAL MUNICIPALITY
Financial Year-end	30 June 2020
End of Next Year	30 June 2021
End of Current Year	30 June 2020
End of Previous Year	30 June 2019
End of Base Year	30 June 2018
Current Year	2020
Previous Year	2019
Base Year	2018
Next Financial Year	2020/21
Current Financial Year	2019/20
Previous Financial Year	2018/19
Comparative Financial Year	2019/20 / 2018/19
Start of Current Year	01 July 2019
Start of Previous Year	01 July 2018
Current Month Number	12

Colour Legend

Headers	
Required in terms of GRAP - Check	
No Activity for Municipality	
Alternative Statement	
Not Applicable at Municipality	
Need more information	
Collection of Data to include	
Not Required for Interim FS	
MSCOA specific	

Dates (Upper Case)

30 JUNE 2021
30 JUNE 2020
30 JUNE 2019
30 JUNE 2018

TSANTSABANE LOCAL MUNICIPALITY



[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

TSANTSABANE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

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

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TSANTSABANE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2020

General information

Legal form

NC085 - Local Municipality. The municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000, and various other acts and regulations.

Jurisdiction

Tsantsabane Local municipality is located in the north-eastern part of the Northern Cape Province in the ZF Mgcawu District.
Cities/Towns:

Postmasburg
Beeshoek

Nature of business

Tsantsabane Local Municipality is a South African Category B Local Municipality as defined in the Municipal Structures Act. The municipality performs functions as set out in the Constitution. This means that the Municipality provides services such as electricity, water, sewerage and refuse to the Community.

Capacity of local authority

Low capacity (grade 2)

Municipal demarcation code

NC085

Management structure

The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.

Municipal manager

H Mathobela

Chief Financial Officer

LR Coakley

Other heads of departments

Director Corporate Services	IC Nkadimang
Acting Director Technical Services	BLK Botha
Director Community Development	JJ Theys

Registered office

13 Springbok Street
Postmasburg
8420

Telephone: 053 313 7300
Website: www.tsantsabane.gov.za

External auditors

Auditor-General of South Africa

Private Bag X5013
Kimberley

TSANTSABANE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2020

General information

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

TSANTSABANE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2020 which are set out on pages 1 to 99 in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

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

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

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year ended 30 June 2020.

The annual financial statements set out on pages 1 to 99, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by:

H Mathobela
Municipal Manager

31 October 2020

Date

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Note	Actual		Cash Flow		
		2020	2019	2018		
		R	Restated R	R	R	R
ASSETS						
Current Assets		48,507,885	44,500,023			
Inventories	2	389,392	7,105,094	5,818,937.33	-6,715,702.24	1,286,156.53
Receivables from Exchange Transactions	3	12,736,927	9,544,151	8,015,734.50	3,192,776.55	1,528,416.21
Receivables from Non-exchange Transactions	4	14,743,555	7,912,934	(28,226,757.92)	6,830,620.11	36,139,692.39
VAT Receivable	5	5,335,485	7,484,652	0.00	-2,149,166.71	7,484,652.01
Cash and Cash Equivalents	6	15,292,314	12,430,393	13,549,828.68	2,861,920.51	-1,119,435.46
Operating Lease Receivables	7	10,213	22,798	29,569.38	-12,585.61	-6,770.98
Non-Current Assets		722,146,585	744,390,717			
Property, Plant and Equipment	8	667,432,587	686,570,672	698,658,153.76	-19,138,085.38	-12,087,481.32
Intangible Assets	9	370,023	1,190,069	1,649,824.50	-820,046.01	-459,755.65
Investment Property	10	53,949,300	56,235,300	80,445,521.03	-2,286,000.01	-24,210,220.83
Heritage Assets	11	394,675	394,675	394,675.30	0.00	0.00
Total Assets		770,654,471	788,890,739	780,335,486.56	(18,236,268.78)	8,555,252.90
LIABILITIES						
Current Liabilities		355,244,454	288,055,062			
Consumer Deposits	12	2,412,558	2,293,914	51,461.45	118,644.80	2,242,452.17
Provisions	13	924,000	1,161,328	1,193,000.00	-237,328.00	-31,672.00
Payables from Exchange Transactions	14	332,291,650	269,977,104	92,292,637.55	62,314,545.84	177,684,466.72
Unspent Conditional Grants and Receipts	15	6,765,366	7,710,376	543,071.26	-945,009.94	7,167,305.02
Bank Overdraft	6	3,142,305	-	(0.00)	3,142,304.73	0.00
Current Portion of Long-term Liabilities	16	9,708,574	6,912,339	(4,655,794.01)	2,796,234.76	11,568,133.35
Non-Current Liabilities		37,105,491	43,151,437			
Long-term Liabilities	16	2,551,881	9,672,831	11,776,091.61	-7,120,950.34	-2,103,260.39
Employee Benefit Liabilities	17	14,667,000	14,371,728	13,394,000.00	295,272.00	977,728.00
Non-current Provisions	18	19,886,610	19,106,878	0.00	779,732.32	19,106,877.99
Total Liabilities		392,349,945	331,206,499	153,902,336.81	61,143,446.16	177,304,161.92
Total Assets and Liabilities		378,304,526	457,684,241	626,433,149.75	(79,379,714.95)	(168,748,909.02)
NET ASSETS		378,304,525	457,684,240			
Accumulated Surplus / (Deficit)	19	378,304,525	457,684,240	611,066,157.95	-79,379,714.99	-153,381,917.62
Total Net Assets		378,304,525	457,684,240	611,066,157.95	(79,379,714.99)	(153,381,917.62)
		0.00	0.00	15,366,991.80	0.04	-15,366,991.40

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual	
		2020 R	2019 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	20	58,570,538	27,695,225
Fines, Penalties and Forfeits	21	124,738	416,780
Licences and Permits	22	842,075	1,287,056
Transfers and Subsidies	23	60,083,375	62,423,559
Revenue from Exchange Transactions			
Service Charges	24	103,996,172	96,735,935
Sales of Goods and Rendering of Services	25	298,855	210,231
Rental from Fixed Assets	26	337,813	410,380
Interest, Dividends and Rent on Land Earned	27	886,753	1,130,716
Operational Revenue	28	233,709	188,730
Total Revenue		225,374,028	190,498,612
EXPENDITURE			
Employee Related Costs	29	73,261,235	72,890,576
Remuneration of Councillors	30	5,477,125	5,517,384
Depreciation and Amortisation	31	32,324,301	31,198,705
Impairment Losses	32	71,086,465	37,447,089
Interest, Dividends and Rent on Land	33	17,814,335	16,358,795
Bulk Purchases	34	58,474,459	60,336,121
Contracted Services	35	19,860,765	24,586,106
Inventory Consumed	36	1,993,432	1,905,168
Operating Leases	37	2,299,211	3,158,550
Operational Costs	38	19,287,159	18,616,224
Loss on Disposal of Property, Plant and Equipment	39	4,501,026	27,204,633
Total Expenditure		306,379,513	299,219,350
DEFICIT FOR THE YEAR		(81,005,485)	(108,720,739)
Refer to Budget Statement for explanation of budget variances			

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Accumulated Surplus/(Deficit)	Total Net Assets
	R	R
2019		
Balance at 30 June 2018	569,049,008	569,049,008
Correction of Error (Note 40)	(2,704,286)	(2,704,286)
Restated Balance	566,344,722	566,344,722
Correction of Error (Note 40)	60,257	60,257
Deficit for the year	(108,720,739)	(108,720,739)
Deficit for the year: Previously Reported	(115,188,974)	(115,188,974)
Correction of Error (Note 40)	6,468,236	6,468,236
Balance at 30 June 2019	457,684,240	457,684,240
2020		
Appropriations in 2020	1,625,770	1,625,770
Deficit for the year	(81,005,485)	(81,005,485)
Balance at 30 June 2020	378,304,525	378,304,525

TSANTSABANE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

		Actual	
	Note	2020 R	2019 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		15,377,396	27,272,214
Transfers and Subsidies		57,976,732	54,755,683
External Interest and Dividends Received		886,753	1,130,716
Service charges		66,304,351	95,207,519
Other Receipts		6,469,445	(2,668,282)
VAT Receivable / Payable		2,149,167	120,309
Payments			
Employee Related Costs		(71,901,644)	(71,468,639)
Remuneration of Councillors		(5,477,125)	(5,517,384)
External Interest and Dividends Paid		(14,922,406)	(14,067,986)
Suppliers Paid		(37,061,680)	(78,170,304)
NET CASH FLOWS FROM OPERATING ACTIVITIES	42	19,800,989	6,593,846
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(12,024,136)	(17,052,303)
Purchase of Intangible Assets	9	-	(25,205)
Purchase of Investment Property	10	2,286,000	-
Proceeds on Disposal of Investment Property		(4,312,894)	1,900,647
Proceeds on Disposal of Intangible Assets		406,567	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,644,463)	(15,176,861)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/(Repayment) of Borrowings		(6,436,910)	7,463,579
NET CASH FLOWS FROM FINANCING ACTIVITIES		(6,436,910)	7,463,579
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(280,384)	(1,119,436)
Cash and Cash Equivalents at Beginning of Period		12,430,393	13,549,829
Cash and Cash Equivalents at End of Period	6	12,150,009	12,430,393

TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R
FINANCIAL POSITION						
Current Assets						
Inventories	535,000	-	535,000	535,000	389,392	(145,608)
Receivables from Exchange Transactions	61,960,000	-	61,960,000	61,960,000	12,736,927	(49,223,073)
Receivables from Non-exchange Transactions	34,040,000	-	34,040,000	34,040,000	14,743,555	(19,296,445)
VAT Receivable	-	-	-	-	5,335,485	5,335,485
Cash and Cash Equivalents	7,052,000	-	7,052,000	7,052,000	15,292,314	8,240,314
Operating Lease Receivables	-	-	-	-	10,213	10,213
Non-Current Assets						
Property, Plant and Equipment	702,349,000	-	702,349,000	702,349,000	667,432,587	(34,916,413)
Intangible Assets	967,000	-	967,000	967,000	370,023	(596,977)
Investment Property	79,116,000	-	79,116,000	79,116,000	53,949,300	(25,166,700)
Heritage Assets	355,000	-	355,000	355,000	394,675	39,675
Total Assets	886,374,000	-	886,374,000	886,374,000	770,654,471	(115,719,529)
Current Liabilities						
Consumer Deposits	2,379,000	-	2,379,000	2,379,000	2,412,558	33,558
Provisions	2,149,000	-	2,149,000	2,149,000	924,000	(1,225,000)
Payables from Exchange Transactions	212,985,000	-	212,985,000	212,985,000	332,291,650	119,306,650
Unspent Conditional Grants and Receipts	-	-	-	-	6,765,366	6,765,366
Current Portion of Long-term Liabilities	-	-	-	-	9,708,574	9,708,574
Non-Current Liabilities						
Long-term Liabilities	-	-	-	-	2,551,881	2,551,881
Employee Benefit Liabilities	-	-	-	-	14,667,000	14,667,000
Non-current Provisions	21,671,000	-	21,671,000	21,671,000	19,886,610	(1,784,390)
Total Liabilities	239,184,000	-	239,184,000	239,184,000	392,349,945	153,165,945
Total Assets and Liabilities	647,190,000	-	647,190,000	647,190,000	378,304,526	(268,885,474)
Net Assets (Equity)						
Accumulated Surplus / (Deficit)	647,190,000	(350,000)	646,840,000	646,840,000	378,304,525	(268,535,475)
Total Net Assets	647,190,000	(350,000)	646,840,000	646,840,000	378,304,525	(268,535,475)

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R
FINANCIAL PERFORMANCE						
Revenue from Non-exchange Transactions						
Property Rates	80,000,000	-	80,000,000	80,000,000	58,570,538	(21,429,462)
Fines, Penalties and Forfeits	631,000	-	631,000	631,000	124,738	(506,262)
Licences and Permits	547,000	-	547,000	547,000	842,075	295,075
Transfers and Subsidies	48,090,000	-	48,090,000	48,090,000	60,083,375	11,993,375
Revenue from Exchange Transactions						
Service Charges	109,756,000	7,963,000	117,719,000	117,719,000	103,996,172	(13,722,828)
Sales of Goods and Rendering of Services	-	-	-	-	298,855	298,855
Rental from Fixed Assets	258,000	170,000	428,000	428,000	337,813	(90,187)
Interest, Dividends and Rent on Land Earned	693,000	-	693,000	693,000	886,753	193,753
Operational Revenue	422,000	728,000	1,150,000	1,150,000	233,709	(916,291)
Gains on Disposal of Property, Plant and Equipment	25,000,000	-	25,000,000	25,000,000	-	(25,000,000)
Total Revenue	265,397,000	8,861,000	274,258,000	274,258,000	225,374,028	(48,883,972)

TSANTSABANE LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Expenditure						
Employee Related Costs	92,351,000	(12,323,000)	80,028,000	80,028,000	73,261,235	(6,766,765)
Remuneration of Councillors	5,756,000	-	5,756,000	5,756,000	5,477,125	(278,875)
Depreciation and Amortisation	17,877,000	-	17,877,000	17,877,000	32,324,301	14,447,301
Impairment Losses	30,000,000	-	30,000,000	30,000,000	71,086,465	41,086,465
Interest, Dividends and Rent on Land	7,365,000	(5,000,000)	2,365,000	2,365,000	17,814,335	15,449,335
Bulk Purchases	64,338,000	(4,000,000)	60,338,000	60,338,000	58,474,459	(1,863,541)
Contracted Services	10,150,000	-	10,150,000	10,150,000	19,860,765	9,710,765
Inventory Consumed	2,630,000	-	2,630,000	2,630,000	1,993,432	(636,568)
Operating Leases		-			2,299,211	2,299,211
Operational Costs	20,910,000	-	20,910,000	20,910,000	19,287,159	(1,622,841)
Loss on Disposal of Property, Plant and Equipment		-			4,501,026	4,501,026
Total Expenditure	251,377,000	(21,323,000)	230,054,000	230,054,000	306,379,513	76,325,513
Surplus/(Deficit for the Year)	14,020,000	30,184,000	44,204,000	44,204,000	(81,005,485)	(125,209,485)

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION						
Finance and Administration	500,000	(350,000)	150,000	150,000	3,696,774	3,546,774
Water Management	14,299,000	-	14,299,000	14,299,000	9,488,995	(4,810,005)
Total Capital Expenditure	14,799,000	(350,000)	14,449,000	14,449,000	13,185,769	(1,263,231)

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance
	R	R	R	R	R	R
CASH FLOW						
Cash Flows from/(used in) Operating Activities						
Property Rates	68,000,000	-	68,000,000	68,000,000	15,377,396	(52,622,604)
Transfers and Subsidies	62,389,000	-	62,389,000	62,389,000	57,976,732	(4,412,268)
External Interest and Dividends Received	693,000	-	693,000	693,000	886,753	193,753
Service charges	93,293,000	-	93,293,000	93,293,000	66,304,351	(26,988,649)
Other Receipts	1,859,000	-	1,859,000	1,859,000	6,469,445	4,610,445
VAT Receivable / Payable		-		-	2,149,167	2,149,167
Employee Related Costs	(196,136,000)	-	(196,136,000)	(196,136,000)	(71,901,644)	124,234,356
Remuneration of Councillors	-	-	-	-	(5,477,125)	(5,477,125)
External Interest and Dividends Paid	(7,365,000)	-	(7,365,000)	(7,365,000)	(14,922,406)	(7,557,406)
Suppliers Paid		-			(37,061,680)	(37,061,680)
Cash Flows from/(used in) Investing Activities						
Purchase of Property, Plant and Equipment	(14,299,000)	-	(14,299,000)	(14,299,000)	(12,024,136)	2,274,864
Proceeds on Disposal of Property, Plant and Equipment	25,000,000	-	25,000,000	25,000,000	(4,312,894)	(29,312,894)
Decrease / (Increase) in Non-current Investments	2,000,000	-	2,000,000	2,000,000	-	(2,000,000)
Decrease / (Increase) in Long-term Receivables	(18,286,000)	-	(18,286,000)	(18,286,000)	-	18,286,000
Cash Flows from/(used in) Financing Activities						
Proceeds from Borrowings	-	-	-	-	(6,436,910)	(6,436,910)
Increase / (Decrease) in consumer deposits	342,000	-	342,000	342,000	-	(342,000)
Net increase/(decrease) in cash held	17,490,000		17,490,000	17,490,000	(280,384)	(17,770,384)

TSANTSABANE LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Cash and Cash Equivalents at the year begin	(18,472,000)		(18,472,000)	(18,472,000)	12,430,393	30,902,393
Cash and Cash Equivalents at the year end	(982,000)	-	(982,000)	(982,000)	12,150,009	13,132,009

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained

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TSANTSABANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION

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

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

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

1.1 Presentation Currency

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

1.2 Changes in Accounting Policy and Comparability

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

For the years ended 30 June 2019 and 30 June 2020 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

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

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

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

1.3.1 Revenue Recognition

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

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

1.3.2 Impairment of Financial Assets

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

- Impairment of Trade Receivables:
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.3.3 Fair Value Estimations

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

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

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

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

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

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

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

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

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

1.3.6 Water Inventory

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

1.3.7 Defined Benefit Plan Liabilities

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

1.3.8 Provisions and Contingent Liabilities

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

1.3.9 Budget Information

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

1.4 Going Concern Assumption

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

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

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

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

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

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

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

2.2 Subsequent Measurement

Plant and Equipment

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

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

	Asset Class	Years		Asset Class	Years
	Land and Buildings			Infrastructure	
	Land	Indefinite		Roads and Paving	5 - 80
	Buildings	15 - 50		Roads & Paving	10 - 60
				Electricity	10 - 70
				Water	15 - 60

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Other			Community	
Computer Equipment	3 - 7		Graveyard site	15 - 50
Furniture and Fittings	7 - 8		Recreational & Sport Facilities	15 - 50
Motor Vehicles	5 - 6		Landfill sites	10 - 30
Office Equipment	3 - 7			
Plant and Machinery	3 - 7			

2.4 Land

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

2.5 Infrastructure Assets

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

2.6 Finance Leases

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

2.7 Derecognition

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

3. HERITAGE ASSETS

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

3.1 Initial Recognition

Heritage Assets are initially recognised at cost.

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

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

3.2 Subsequent Measurement

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

3.3 Derecognition

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

4. INTANGIBLE ASSETS

4.1 Initial Recognition

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

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

Intangible Assets are initially recognised at cost.

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

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

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

4.2 Subsequent Measurement, Amortisation and Impairment

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

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

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

	Asset Class	Years
	Computer Software	3 - 7

4.3 Derecognition

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

5. INVESTMENT PROPERTY

5.1 Initial Recognition

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

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

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

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

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

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

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

5.2 Subsequent Measurement

Fair Value Model:

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

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

5.3 Derecognition

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

6. IMPAIRMENT OF ASSETS

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

6.1 Impairment of Cash Generating Assets

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

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

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

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

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

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

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

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

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

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

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

6.2 Impairment of Non-cash Generating Assets

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

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

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

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

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

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

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

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

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

7. FINANCIAL INSTRUMENTS

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

Initial Recognition

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

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

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

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

7.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

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

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

7.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

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

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

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Financial Assets measured at Amortised Cost

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

Financial Assets measured at Cost

Financial Assets at Cost are initially measured at the transaction amount and transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at cost less any impairment.

Financial Assets measured at Fair Value

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

7.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

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

Financial Liabilities held at Amortised Cost

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

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

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

7.4.1 Financial Assets at Amortised Cost

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

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

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

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

7.4.2 Financial Assets at Cost

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

7.5 Derecognition of Financial Assets

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

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

7.6 Derecognition of Financial Liabilities

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

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

8. STATUTORY RECEIVABLES

8.1 Transitional Provisions

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

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

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

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2021.

9. INVENTORIES

9.1 Initial Recognition

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

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

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

9.2 Subsequent Measurement

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

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

9.2.2 Water Inventory

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

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

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

9.2.3 Unsold Properties

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

9.2.4 Other Arrangements

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

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

10. REVENUE RECOGNITION

10.1 General

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

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

10.2 Revenue from Exchange Transactions

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10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

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

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

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

10.2.2 Prepaid Electricity

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

10.2.3 Rentals Received

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

10.2.4 Finance Income

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

10.2.5 Tariff Charges

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

10.2.6 Sale of Goods (including Houses)

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

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

10.3 Revenue from Non-exchange Transactions

TSANTSABANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses

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

10.3.3 Public Contributions

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

10.3.4 Government Grants and Receipts

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

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

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

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

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

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

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

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

TSANTSABANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

11. PROVISIONS

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

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

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

11.1 Provision for Environmental Rehabilitation

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

12. EMPLOYEE BENEFIT LIABILITIES

12.1 Short-term Employee Benefits

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

12.1.1 Provision for Staff Leave

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

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

TSANTSABANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Accumulated leave is vesting.

12.1.2 Staff Bonuses Accrued

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

12.1.3 Provision for Performance Bonuses

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

12.2 Post-employment Benefits

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

12.2.1 Defined Contribution Plans

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

12.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

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

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

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

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

Long-service Allowance

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

Provincially-administered Defined Benefit Plans

TSANTSABANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

Defined Benefit Pension Plans

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

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

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

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

13. LEASES

13.1 The Municipality as Lessee

13.1.1 Finance Leases

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

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

13.1.2 Operating Leases

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

13.2 The Municipality as Lessor

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

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

TSANTSABANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14. GRANTS-IN-AID

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

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

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

15. VALUE ADDED TAX

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

16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

17. IRREGULAR EXPENDITURE

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

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

19. MATERIAL LOSSES

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

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

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in note 48 to the Annual Financial Statements.

21. COMMITMENTS

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

22. RELATED PARTIES

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

23. EVENTS AFTER THE REPORTING DATE

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

24. SEGMENT REPORTING

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

The sole mandate of the entity is the provision of library services. While there are separate units in the organisation responsible for aspects of this service, management relies and uses the financial information of the business as a whole to assess performance and make decisions concerning inter alia the allocation of resources. Consequently, for purposes of GRAP 18 the businesses is considered to have one segment. There is therefore, no requirement for additional notes to the financial statements in this regard.

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

25. BUDGET INFORMATION

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

The approved budget covers the period from 1 July 2019 to 30 June 2020.

26. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

TSANTSABANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

Refer to Note 40 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

27. CONSUMER DEPOSITS

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

Classification in terms of GRAP 104:

Financial liability at fair value

Financial Liabilities measured at fair value

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

Derecognition of Financial Liabilities

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

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

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

2. INVENTORIES

	2020	2019
	R	R
Consumables	287,047	422,731
Property Stock	-	6,584,673
Water	102,345	97,689
Total Inventories	389,392	7,105,094

The cost of water for the year amounted to R8.59 (2019: R8.59) per kilolitre.

Consumables per stock take	366,832	422,731
Less provision for obsolete stock	(79,786)	(88,997)
	287,046	333,734

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

The Inventory Land has been restated to account for the Transfer of properties from Investment Property to Inventory - Land. The Inventory Consumables have also been restated. Refer to Note 41 on "Correction of Error" for details of the restatement.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2020			
Service Debtors:	234,682,917	222,562,854	12,120,063
Electricity	8,978,572	5,272,018	3,706,555
Refuse	54,370,361	52,945,717	1,424,644
Sewerage	90,600,544	87,148,400	3,452,144
Water	80,733,440	77,196,718	3,536,721
Other Receivables	5,077,816	4,460,952	616,864
Property Rental Debtors	5,059,310	4,460,952	598,358
Other Debtors: Control accounts	18,506	-	18,506
Total Receivables from Exchange Transactions	239,760,733	227,023,806	12,736,927

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2019			
Service Debtors:	196,797,667	188,230,183	8,567,485
Electricity	8,314,709	6,026,234	2,288,475
Refuse	43,307,013	42,265,581	1,041,432
Sewerage	71,836,828	69,244,099	2,592,729
Water	73,339,117	70,694,268	2,644,849
Other Receivables	5,271,245	4,294,579	976,666
Property Rental Debtors	5,255,862	4,294,579	961,284
Other Debtors: Land Sale Debtors	15,382	-	15,382
Total Receivables from Exchange Transactions	202,068,912	192,524,761	9,544,151

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

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

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	969,762	551,740	325,443	7,131,628	8,978,572
Less: Provision for Impairment	412,407	334,786	197,474	4,327,351	5,272,018
Net Balances	557,355	216,953	127,970	2,804,276	3,706,554
Refuse:					
Gross Balances	1,384,095	1,303,370	1,271,253	50,411,644	54,370,361
Less: Provision for Impairment	1,347,828	1,269,218	1,237,942	49,090,729	52,945,717
Net Balances	36,267	34,152	33,310	1,320,915	1,424,644
Sewerage:					
Gross Balances	2,455,175	2,285,115	2,215,647	83,644,607	90,600,544
Less: Provision for Impairment	2,361,625	2,198,045	2,131,224	80,457,505	87,148,400
Net Balances	93,549	87,070	84,423	3,187,103	3,452,144
Property Rental:					
Gross Balances	347,031	46,658	38,592	4,627,029	5,059,310
Less: Provision for Impairment	305,988	41,140	34,028	4,079,796	4,460,952
Net Balances	41,043	5,518	4,564	547,233	598,358
Water:					
Gross Balances	1,864,367	1,120,812	661,643	77,086,617	80,733,440
Less: Provision for Impairment	1,339,611	1,078,009	636,375	74,142,723	77,196,718
Net Balances	524,756	42,803	25,268	2,943,894	3,536,722
Other: Control accounts					
Gross Balances	18,506	-	-	-	18,506
Less: Provision for Impairment	-	-	-	-	-
Net Balances	18,506	-	-	-	18,506

As at 30 June Receivables of R12,736,928 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total Past Due
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	7,038,935	5,307,695	4,512,578	222,901,525	239,760,733
Less: Provision for Impairment	5,767,459	4,921,199	4,237,043	212,098,104	227,023,805
Net Balances	1,271,476	386,496	275,535	10,803,421	12,736,928

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1,372,313	528,037	691,140	5,723,219	8,314,709
Less: Provision for Impairment	763,082	368,394	482,186	4,412,572	6,026,234
Net Balances	609,231	159,643	208,954	1,310,647	2,288,475
Refuse:					

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Gross Balances	1,221,773	1,145,613	1,113,398	39,826,230	43,307,014
Less: Provision for Impairment	1,185,319	1,111,432	1,080,178	38,888,653	42,265,581
Net Balances	36,454	34,181	33,220	937,577	1,041,432

Sewerage:

Gross Balances	1,949,037	1,833,000	1,766,949	66,287,842	71,836,829
Less: Provision for Impairment	1,869,924	1,758,597	1,695,228	63,920,351	69,244,099
Net Balances	79,113	74,403	71,722	2,367,492	2,592,729

Property Rental:

Gross Balances	95,144	35,489	32,794	5,092,435	5,255,863
Less: Provision for Impairment	87,857	32,771	30,282	4,143,668	4,294,579
Net Balances	7,287	2,718	2,512	948,767	961,284

Water:

Gross Balances	1,498,982	987,671	1,241,823	69,610,642	73,339,117
Less: Provision for Impairment	1,019,617	956,715	1,202,902	67,515,033	70,694,268
Net Balances	479,365	30,955	38,921	2,095,608	2,644,849

Other: Control accounts

Gross Balances	15,382	-	-	-	15,382
Less: Provision for Impairment	-	-	-	-	-
Net Balances	15,382	-	-	-	15,382

As at 30 June Receivables of R8,317,320 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due			Total Past Due
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	6,137,248	4,529,809	4,846,105	186,540,368	195,916,283
Less: Provision for Impairment	4,925,799	4,227,909	4,490,776	178,880,277	187,598,962
Net Balances	1,211,449	301,900	355,328	7,660,092	8,317,320

3.2 Summary of Service Debtors by Customer Classification

	Household & Other R	Industrial/ & Commercial R	National and Provincial Government R	Total R
As at 30 June 2020				
<u>Current:</u>				
0 - 30 days	5,685,504	1,209,133	125,792	7,020,429
<u>Past Due:</u>				
31 - 60 Days	4,275,472	894,545	137,678	5,307,695
61 - 90 Days	3,767,962	653,665	90,950	4,512,578
+ 90 Days	205,067,472	12,890,172	4,943,881	222,901,525
Sub-total	218,796,411	15,647,515	5,298,302	239,742,227
Less: Provision for Impairment	213,798,473	13,225,333	-	227,023,805
Total Trade Receivables by Customer Classification	4,997,938	2,422,182	5,298,302	12,718,422

	Household & Other R	Industrial/ & Commercial R	National and Provincial Government R	Total R
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	4,555,418	819,066	762,765	6,137,249
<u>Past Due:</u>				

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31 - 60 Days	3,493,112	869,307	167,390	4,529,809
61 - 90 Days	3,625,119	1,040,670	180,316	4,846,105
+ 90 Days	169,222,088	10,178,925	7,139,355	186,540,368
Sub-total	180,895,737	12,907,968	8,249,826	202,053,531
Less: Provision for Impairment	179,939,148	12,585,614	-	192,524,762
Total Trade Receivables by Customer Classification	956,589	322,354	8,249,826	9,528,769

	2020 R	2019 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	192,524,761	166,998,581
Impairment Losses recognised	34,499,044	25,526,180
Balance at end of year	227,023,806	192,524,761

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

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

3.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>		
0 - 30 Days	5,767,459	4,925,799
<i>Past Due:</i>		
31 - 60 Days	4,921,199	4,227,909
61 - 90 Days	4,237,043	4,490,776
+ 90 Days	212,098,104	178,880,277
Total	227,023,805	192,524,761

3.5 Derecognition of Financial Assets

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

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Property Rates	81,750,584	72,025,834	9,724,750
Fines	613,040	466,914	146,126
Deposits Held and Payments made in advance	4,872,679	-	4,872,679
Total Receivables from Non-exchange Transactions	87,236,302	72,492,748	14,743,555
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Property Rates	37,423,263	35,803,721	1,619,542
Fines	518,140	326,506	191,634
Deposits Held and Payments made in advance	6,101,758	-	6,101,758
Total Receivables from Non-exchange Transactions	44,043,161	36,130,227	7,912,934
	0.00	0.00	0.00

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

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

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

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

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	7,881,343	1,493,059	1,424,258	70,951,924	81,750,584
Less: Provision for Impairment	6,943,807	1,315,450	1,254,833	62,511,743	72,025,834
Net Balances	937,536	177,609	169,424	8,440,181	9,724,750
Deposits Held:					
Gross Balances	-	-	-	4,872,679	4,872,679
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	4,872,679	4,872,679

As at 30 June Receivables of R14,743,554 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	8,494,383	1,493,059	1,424,258	75,824,602	87,236,302
Less: Provision for Impairment	7,410,722	1,315,450	1,254,833	62,511,743	72,492,748
Net Balances	1,083,662	177,609	169,424	13,312,859	14,743,554

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	848,921	801,261	751,471	35,021,610	37,423,263
Less: Provision for Impairment	818,169	772,236	724,250	33,489,066	35,803,721
Net Balances	30,752	29,025	27,221	1,532,544	1,619,542
Deposits Held:					
Gross Balances	5,456,408	-	-	645,350	6,101,758
Less: Provision for Impairment	-	-	-	-	-
Net Balances	5,456,408	-	-	645,350	6,101,758

As at 30 June Receivables of R7,912,934 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	6,823,469	801,261	751,471	35,666,960	44,043,161
Less: Provision for Impairment	1,144,675	772,236	724,250	33,489,066	36,130,227
Net Balances	5,678,794	29,025	27,221	2,177,894	7,912,934

4.2 Summary of Assessment Rates Debtors by Customer Classification

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	Household & Other R	Industrial/ & Commercial R	National and Provincial Government R	Total R
As at 30 June 2020				
<i>Current:</i>				
0 - 30 days	5,498,328	2,137,375	245,640	7,881,343
<i>Past Due:</i>				
31 - 60 Days	1,143,621	325,486	23,952	1,493,059
61 - 90 Days	1,104,499	295,807	23,952	1,424,258
+ 90 Days	18,354,109	46,578,977	6,018,837	70,951,924
Sub-total	26,100,558	49,337,645	6,312,380	81,750,584
Less: Provision for Impairment	23,619,441	48,406,393	-	72,025,834
Total Rates Debtors by Customer Classification	2,481,117	931,252	6,312,380	9,724,750

	Household & Other R	Industrial/ & Commercial R	National and Provincial Government R	Total R
As at 30 June 2019				
<i>Current:</i>				
0 - 30 days	583,924	253,557	11,439	848,921
<i>Past Due:</i>				
31 - 60 Days	542,248	248,273	10,740	801,261
61 - 90 Days	514,480	231,271	5,720	751,471
+ 90 Days	14,634,127	19,342,890	1,044,593	35,021,610
Sub-total	16,274,780	20,075,991	1,072,492	37,423,264
Less: Provision for Impairment	15,808,392	19,995,329	-	35,803,721
Total Rates Debtors by Customer Classification	466,388	80,662	1,072,492	1,619,543

4.3 Reconciliation of Provision for Impairment

	2020 R	2019 R
Balance at beginning of year	36,130,227	29,539,376
Impairment Losses recognised	36,362,521	6,590,851
	-	-
Balance at end of year	72,492,748	36,130,227
	0.00	0.00

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

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

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

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

5. VAT RECEIVABLE	2020 R	2019 R
Vat Receivable.	5,335,485	7,484,652

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The **prior year amount** for VAT receivable has been restated. Refer to Note 41 on "Correction of errors" for details of the restatement.

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

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

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

6. CASH AND CASH EQUIVALENTS

Current Investments	15,265,012	10,493,716
Bank Accounts	25,302	1,934,677
Cash on hand	2,000	2,000
Total Bank, Cash and Cash Equivalents	15,292,314	12,430,393
Bank Overdraft	(3,142,305)	-
Net Bank, Cash and Cash Equivalents	12,150,009	12,430,393

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

6.1 Current Investment Deposits

Call Deposits	15,265,012	10,493,716
Total Current Investment Deposits	15,265,012	10,493,716

Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 2.75% to 5.2% (2019: 2.6% to 5.9%)

Fixed Deposits are investments with a maturity periods 30 to 365 days and earn interest at rates varying from 6.5% to 6.8% (2019: 3.8% to 8.03%)

Standard Bank: Call account - Acc nr 54 852 911 6 - 011	4,688,274	19,433
First National Bank: Fixed deposit (6 months) - Acc nr 62798446160	686,458	654,337
ABSA: Fixed Deposit (365 days) - Acc nr 20 8031 7223	8,260,055	8,270,651
First National Bank: Fixed deposit (30 days) - Acc nr 74753890167	49,492	736,897
Standard Bank: Call Deposit - Acc nr 048459976-002	-	812,398
Total Deposits attributable to Commitments of the Municipality	15,265,012	10,493,716
Deposits attributable to Unspent Conditional Grants	6,269,006	1,549,296
Deposits attributable to Payables	735,950	673,770
Deposits pledged as guarantees for ESKOM	8,260,055	8,270,651
Total Deposits attributable to Commitments of the Municipality	15,265,012	10,493,716

6.2 Bank Accounts

	2020	2019
	R	R
Cash in Bank	25,302	1,934,677
Bank Overdraft	(3,142,305)	-
Total Bank Accounts	(3,117,003)	1,934,677

The Municipality has the following bank accounts:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Primary Bank Account

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

Cash book balance at beginning of year	1,326,518	58,485
Cash book balance at end of year	<u>25,302</u>	<u>1,326,518</u>
Bank statement balance at beginning of year	1,326,518	58,485
Bank statement balance at end of year	<u>25,302</u>	<u>1,326,518</u>

Standard Bank - Postmasburg Branch - Primary Account: 040552861

Cash book balance at beginning of year	376	7,027
Cash book balance at end of year	<u>-</u>	<u>376</u>
Bank statement balance at beginning of year	376	7,027
Bank statement balance at end of year	<u>-</u>	<u>376</u>

Standard Bank - Postmasburg Branch - Primary Account: 230035868

Cash book balance at beginning of year	607,783	1,936,783
Cash book balance at end of year	<u>(3,142,305)</u>	<u>607,783</u>
Bank statement balance at beginning of year	685,989	2,749,787
Bank statement balance at end of year	<u>1,275,252</u>	<u>685,989</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

	2020 R	2019 R
Cash Floats and Advances	2,000	2,000
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>2,000</u>	<u>2,000</u>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

7. OPERATING LEASE RECEIVABLES

	R	R
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	22,798	29,569
Operating Lease - Straight lining	72,514	72,514
Operating Lease Revenue effected	(85,100)	(79,285)
Total Operating Lease Receivables	<u>10,213</u>	<u>22,798</u>

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of 1 to 10 years (2018/19: 1 to 10 years), with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

7.2 Amounts receivable under Operating Leases

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

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Up to 1 year	49,091	85,100
2 to 5 years	-	49,091
More than 5 years	-	-
Total Operating Lease Arrangements	<u>49,091</u>	<u>134,191</u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R 12,586 (2019: increase of R 6,771) in current year income. The escalation on the two rentals is 6.9% and 8%.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2020

Reconciliation of Carrying Value

Description	Community Assets	Infra-structure	Buildings	Land	Landfill sites	Other Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2019	14,542,704	558,097,815	57,563,720	46,663,561	1,265,373	8,437,500	686,570,672
Cost	24,878,509	773,326,888	95,875,414	46,663,561	2,630,479	30,613,872	973,988,723
Accumulated Impairment Losses	(162,381)	(4,243,187)	(808,475)	-	-	(1,717,413)	(6,931,456)
Accumulated Depreciation:	(10,173,424)	(210,985,886)	(37,503,219)	-	(1,365,106)	(20,458,960)	(280,486,595)
Acquisition of Assets							
- Cost	-	9,488,995	-	-	-	3,696,774	13,185,769
Depreciation:	(1,055,738)	(23,428,843)	(3,778,069)	-	(151,889)	(3,512,596)	(31,927,135)
Carrying value of Disposals:							
- Cost	-	-	-	(3,855)	-	(9,676)	(171,819)
- Accumulated Impairment Losses	-	-	-	(3,855)	-	(167,964)	(171,819)
- Accumulated Depreciation	-	-	-	-	-	158,288	-
Impairment Losses	-	-	-	-	-	(224,900)	(224,900)
Carrying values at 30 June 2020	13,486,966	544,157,967	53,785,650	46,659,706	1,113,484	8,228,814	667,432,587
Cost	24,878,509	782,815,883	95,875,414	46,659,706	2,630,479	34,142,682	987,002,673
Accumulated Impairment Losses	(162,381)	(4,243,187)	(808,475)	-	-	(1,942,313)	(7,156,356)
Accumulated Depreciation:	(11,229,162)	(234,414,729)	(41,281,288)	-	(1,516,995)	(23,971,556)	(312,413,730)

30 June 2019

Reconciliation of Carrying Value

Description	Community Assets	Infra-structure	Buildings	Land	Landfill sites	Other Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2018	16,059,361	566,038,339	62,158,625	46,667,416	1,417,262	6,317,151	698,658,154
Cost	25,503,033	755,879,049	95,896,314	46,667,416	2,630,479	25,959,870	952,536,161
Accumulated Impairment Losses	-	-	-	-	-	(1,601,399)	(1,601,399)
Accumulated Depreciation:	(9,443,673)	(189,840,710)	(33,737,689)	-	(1,213,217)	(18,041,320)	(252,276,608)
Acquisition of Assets							
- Cost	-	24,023,086	-	-	-	4,654,002	28,677,088
Depreciation:	(1,093,190)	(23,252,045)	(3,779,459)	-	(151,889)	(2,417,640)	(30,694,223)
Carrying value of Disposals:							
- Cost	(261,086)	(4,468,378)	(6,971)	(3,855)	-	-	(4,740,290)
- Accumulated Impairment Losses	(624,524)	(6,575,247)	(20,900)	(3,855)	-	-	(7,224,526)
- Accumulated Depreciation	363,438	2,106,869	13,929	-	-	-	2,484,236
Impairment Losses	(162,381)	(4,243,187)	(808,475)	-	-	(116,014)	(5,330,057)
Carrying values at 30 June 2019	14,542,704	558,097,815	57,563,720	46,663,561	1,265,373	8,437,500	686,570,672
Cost	24,878,509	773,326,888	95,875,414	46,663,561	2,630,479	30,613,872	973,988,723
Accumulated Impairment Losses	(162,381)	(4,243,187)	(808,475)	-	-	(1,717,413)	(6,931,456)
Accumulated Depreciation:	(10,173,424)	(210,985,886)	(37,503,219)	-	(1,365,106)	(20,458,960)	(280,486,595)

Acquisition of Property, Plant and Equipment include Assets to the amount of R1,161,633 (2019: R11,624,785) donated to the municipality as indicated below (Refer to Note 53):

Donor	Description of Project	2020	2019
Assmang Iron Ore (Beeshoek)	Security Installations at Pump Stations (Work-in-Progress)	-	1,597,531
Kolomela Mine	Corrective Maintenance Wastewater Treatment Plant	986,239	-
Kolomela Mine	Upgrading of Infrastructure at Show Grounds	175,394	-
Kolomela Mine	Repairs to Sewer Pump Stations	-	2,452,511
Kolomela Mine	Upgrade Maremane Boreholes	-	1,280,168
Kuma Iron Ore	Construction of New Road	-	6,294,574
Total for Donated Assets		1,161,633	11,624,785



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	2020 R	2019 R
8. PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
8.2 Work-in-Progress		
The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:		
	Included within	Total
Reconciliation of Work-in-Progress 2020		
Opening Balance	46,703,688	46,703,688
Additions/Capital Expenditure	8,327,362	8,327,362
Transferred to Completed Items	-	-
	<u><u>55,031,050</u></u>	<u><u>55,031,050</u></u>
Reconciliation of Work-in-Progress 2019		
Opening Balance	38,539,171	38,539,171
Additions/Capital Expenditure	8,164,516	8,164,516
Transferred to Completed Items	-	-
	<u><u>46,703,688</u></u>	<u><u>46,703,688</u></u>
8.3 Delayed Projects		
The Work- In-Progress was restated due to an prior year invoice that was supposed to capitalised in 2019.		
The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted below:		
Project Details	Reason	
Construction of End Street	The project has been delayed due to the contractual disputes which has resulted in court case between the Municipality and the contractor over the payments.	
Skeifontein Access Road	COGHSTA delaying to avail the funding for this projects.	
High Mast Light	The delays in the completion were caused by the non-delivery of outstanding high mast lights.	
Construction of Sewer Pipeline in Maranteng	COGHSTA waiting a report from a former Director on the spending of this project before the completion certificates can be issued by the Engineers.	
Construction of Budgie Street	Delivery of incorrect specifications for this project resulted in some delays in completing the project and as a result the project had to be halted.	
Maremane Water Supply	Delays have been due to the contractor not doing the required pipe testing and final inspection for the snags.	
9. INTANGIBLE ASSETS	2020 R	2019 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u><u>370,023</u></u>	<u><u>1,190,069</u></u>
The movement in Intangible Assets is reconciled as follows:		
	Software Purchased	Total

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Carrying values at 01 July 2019	1,186,562	1,186,562
Cost	2,676,087	2,676,087
Accumulated Amortisation	(1,489,525)	(1,489,525)
Acquisitions:	6,911	6,911
Purchased	6,911	6,911
Amortisation:	(397,166)	(397,166)
Purchased	(397,166)	(397,166)
Internally Developed	-	-
Disposals:	(16,313)	(16,313)
At Cost	(101,591)	(101,591)
At Accumulated Amortisation	85,279	85,279
Carrying values at 30 June 2020	779,994	779,994
Cost	2,581,406	2,581,406
Accumulated Amortisation	(1,801,412)	(1,801,412)

Software Purchased	Total
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Carrying values at 01 July 2018	1,669,346	1,669,346
Cost	2,654,388	2,654,388
Accumulated Amortisation	(985,042)	(985,042)
Acquisitions:	21,699	21,699
Amortisation:	(504,483)	(504,483)
Carrying values at 30 June 2019	1,186,562	1,186,562
Cost	2,676,087	2,676,087
Accumulated Amortisation	(1,489,525)	(1,489,525)

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

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

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

10. INVESTMENT PROPERTY

	2020 R	2019 R
At Fair Value	53,949,300	56,235,300
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	56,235,300	80,445,521
Fair Value	56,235,300	80,445,521
Fair Value Adjustments	-	(21,784,842)
Disposals during the Year:	(2,286,000)	(1,095,715)
At Fair Value	(2,286,000)	(1,095,715)
Transfers during the Year:	-	(1,329,664)
At Fair Value	-	(1,329,664)
Carrying values at 30 June	53,949,300	56,235,300
Fair Value	53,949,300	56,235,300

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The prior year amount for Investment Property has been restated due to the transfer of properties from Investment Property to Inventory as at 30 June 2019, the transfer of properties from the Investment Property to Inventory. Refer to Note 41 on "Correction of Error" for details of the restatement.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	337,813	410,380
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

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

There are no contractual obligations on Investment Property.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. HERITAGE ASSETS

30 June 2020

Reconciliation of Carrying Value

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

11. HERITAGE ASSETS (Continued)

30 June 2019

Reconciliation of Carrying Value

	Sculptures and Monuments	Municipal Jewellery	Total
	R	R	R
Carrying values at 01 July 2018	319,675	75,000	394,675
Cost	319,675	75,000	394,675
Accumulated Impairment Losses	-	-	-
Acquisitions	-	-	-
Carrying values at 30 June 2019	319,675	75,000	394,675
Cost	319,675	75,000	394,675
Accumulated Impairment Losses	-	-	-

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

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

11.1 Impairment of Heritage Assets

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

11.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
12. CONSUMER DEPOSITS		
Water & Electricity	2,370,251	2,246,548
Other Deposits	42,308	47,365
Rental Properties	42,308	47,365
Total Consumer Deposits	2,412,558	2,293,914

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

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

No interest is paid on Consumer Deposits held.

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

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

13. PROVISIONS

Current Portion of Employee Benefit Liabilities (See Note 17):	924,000	1,161,328
Post-retirement Medical Aid Benefits Liability	675,000	560,379
Long-term Service Liability	249,000	600,949
Total Provisions	924,000	1,161,328

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Advance Payments - Consumer debtors with credit balances	18,461,923	18,397,663
Bonus	2,022,911	1,925,093
Leave Accrual	8,080,919	6,877,090
Other Payables	37,077,017	32,515,610
Control, Clearing and Interface Accounts	361,412	2,506,393
Unallocated Deposits	36,715,605	30,009,216
- Unallocated Deposits	18,131,330	12,880,433
- Department of Community Safety & Transport Management - Licence fees	18,584,276	17,128,783
Retentions	2,336,801	1,566,382
Trade Creditors	264,312,080	208,695,267
Payables and Accruals	264,312,080	208,695,267
Total Payables	332,291,650	269,977,104

The **prior year amount** for Payables from Exchange Transactions has been restated. Refer to Note 41 on "Correction of errors" for details of the restatement.

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

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

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

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government

	6,765,366	7,710,376
National Government	6,354,043	7,167,305
Private Enterprises	411,323	411,323
Provincial Government		131,748
Total Conditional Grants and Receipts	6,765,366	7,710,376

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

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

The allocation of equitable share in the 2019/20 financial year, has been reduced by R 7,167,000 due to non-spending of grants by the municipality.

16. LONG-TERM LIABILITIES

	2020	2019
	R	R
Long-Term Liabilities	12,260,455	16,585,171
Finance Lease Liability	12,260,455	16,585,171
Less: Current Portion transferred to Current Liabilities:-	(9,708,574)	(6,912,339)
Finance Lease Liability	(9,708,574)	(6,912,339)
Non-Current Portion of Long-term Liabilities	2,551,881	9,672,831

16.1 Summary of Arrangements

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

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

16.2 Obligations under Borrowings

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2018: 4 years). The effective interest rate on Finance Leases is between 7.96% and 24% (2018: 7.96% and 24%).

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

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

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2020	2019	2020	2019
	R	R	R	R
Amounts payable under borrowings:				
Within one year	9,765,952	8,910,840	9,708,574	6,912,340
In the second to fifth years, inclusive	3,315,587	10,538,659	2,551,881	9,672,833
Over five years	-	-	-	-
	13,081,539	19,449,499	12,260,455	16,585,173
Less: Future Finance Obligations	(821,084)	(2,864,326)		
Present Value of Minimum Lease Obligations	12,260,455	16,585,173	12,260,455	16,585,173

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Less: Amounts due for settlement within 12 months (Current Portion)	(9,708,574)	(6,912,341)
Borrowings due for settlement after 12 months (Non-current Portion)	2,551,881	9,672,831
		0.00

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

- Office Equipment
- Vehicles
- Electricity and water meters

Included in these classes are the following significant leases:

(i) Electrical and Water meters		
- Average period outstanding	63 months	63 months
- Average effective interest rate, based on prime	24%	24%
- Average monthly instalment	30% on monthly vending	30% on monthly vending
 (ii) Vehicles - Sanpaul Trading Enterprise and Labour (Pty) Ltd		
- Instalments are payable monthly in arrears		
- Average period outstanding	36 months	36 months
- Average effective interest rate, based on prime	0%	12%
- Average monthly instalment	R 0.00	R 251,223.22

16.3 Operating Lease: Tsantsabane Local Municipality as Lessee

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

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

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

- Buildings

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

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

	2020 R	2019 R
17. EMPLOYEE BENEFIT LIABILITIES		
Employee Benefit Liabilities	15,591,000	15,533,056
Post-retirement Health Care Benefits Liability	11,963,000	11,826,366
Long Service Awards Liability	3,628,000	3,706,690
 Less: Current Portion of Employee Benefit Liabilities	 (924,000)	 (1,161,328)
Post-retirement Health Care Benefits Liability	(675,000)	(560,379)
Long Service Awards Liability	(249,000)	(600,949)
 Non-Current Portion of Employee Benefit Liabilities	14,667,000	14,371,728
 17.1 Post-retirement Health Care Benefits Liability		
Opening balance	11,826,366	10,715,000
Interest cost	1,065,127	1,059,000
Current service cost	472,046	427,000

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Actual employer benefit payments	(560,379)	(534,000)
Actuarial loss/ (gain) recognised in the year	(840,160)	159,366
	<hr/>	<hr/>
Balance at end of Year	11,963,000	11,826,366
Transfer to Current Provisions	675,000	560,379
	<hr/>	<hr/>
Total Post-retirement Health Care Benefits Liability	11,288,000	11,265,987

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr. Chanan Weiss, a member of the Actuarial Society of South Africa (ASSA) and managing member of ARCH Actuarial Consulting CC. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	91	77
Continuation Members (Retirees, widowers and orphans)	15	13
	<hr/>	<hr/>
Total Members	106	90

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

In-service Members	5,828,000	6,332,440
Continuation Members	6,135,000	5,493,926
	<hr/>	<hr/>
Total Liability	11,963,000	11,826,366

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

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2020 is estimated to be R472,046, whereas the cost for the ensuing year is estimated to be R 438 000 (30 June 2019: R427,000).

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

Discount Rate	10.06%
Health care cost inflation rate	6.18%
Net Effective Discount Rate	3.65%
Mortality Tables	SA 85-90
Mortality tables post retirement	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Average retirement age for active employees	62
Normal retirement age for active employees	65

	2020	2019
	R	R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	11,826,366	10,715,000
Interest cost	1,065,127	1,059,000
Current service cost	472,046	427,000

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Actual employer benefit payments	(560,379)	(534,000)
Actuarial loss/ (gain) recognised in the year	(840,160)	159,366
Total Recognised Benefit Liability	<u>11,963,000</u>	<u>11,826,366</u>

	2020	2019
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	11,963,000	11,826,366
Fair value of plan assets	-	-
Total Benefit Liability	<u>11,963,000</u>	<u>11,826,366</u>

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,065,127	1,059,000
Interest cost	472,046	427,000
Actuarial losses / (gains)	(840,160)	159,366
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	<u>697,013</u>	<u>1,645,366</u>

The history of fair values are as follows:

	2020	2019	2018
	R	R	R
Present Value of Defined Benefit Obligation	11,963,000	11,826,366	10,715,000
Deficit	<u>11,963,000</u>	<u>11,826,366</u>	<u>10,715,000</u>

Experienced adjustments on Plan Liabilities

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:	2019	2018
	R	R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1,684,800	1,544,000
Effect on the defined benefit obligation	12,996,000	12,854,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1,350,700	1,416,000
Effect on the defined benefit obligation	10,747,000	10,588,000

The effect of a 20% adjustments of mortality rates, is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	1,438,200	1,385,000
Effect on the defined benefit obligation	11,223,000	11,024,036
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1,659,100	1,605,000
Effect on the defined benefit obligation	12,869,000	12,823,130

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

17.2 Long Service Awards Liability	2020	2019
	R	R
Opening Balance	3,706,690	3,872,000
Interest cost	276,377	393,000
Current service cost	382,394	378,000
Actual employer benefit payments	(600,949)	(659,000)
Actuarial loss/ (gain) recognised in the year	(136,512)	(277,310)
Balance at end of Year	<u>3,628,000</u>	<u>3,706,690</u>

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Transfer to Current Provisions	249,000	600,949
Total Long Service Awards Liability	3,379,000	3,105,741

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr. Chanan Weiss, a member of the Actuarial Society of South Africa (ASSA) and managing member of ARCH Actuarial Consulting CC. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

At year end, 234 (2019: 241) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2020 is estimated to be R 382 394, whereas the cost for the ensuing year is estimated to be R 381 000 (30 June 2019: R378 000).

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

Discount Rate	7.31%	
General earnings inflation rate (long-term)	3.96%	
Net Effective Discount Rate	3.22%	
Mortality Tables	SA 85-90	
Average retirement age for active employees	62	
Normal retirement age for active employees	65	
Expected Rate of Salary Increase	6.25%	6.50%

	2020 R	2019 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	3,706,690	3,872,000
Interest cost	276,377	393,000
Current service cost	382,394	378,000
Actual employer benefit payments	(600,949)	(659,000)
Actuarial loss/ (gain) recognised in the year	(136,512)	(277,310)
Total Recognised Benefit Liability	3,628,000	3,706,690

	2020 R	2019 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3,628,000	3,706,690
Fair value of plan assets	-	-
Total Benefit Liability	3,628,000	3,706,690

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	382,394	378,000
Interest cost	276,377	393,000
Actuarial losses / (gains)	(136,512)	(277,310)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	522,259	493,690

The history of experienced adjustments is as follows:

	2020 R	2019 R	2018 R
Present Value of Defined Benefit Obligation	3,628,000	3,706,690	3,872,000
Deficit	3,628,000	3,706,690	3,872,000

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

	2020	2019
	R	R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	706,900	828,000
Effect on the defined benefit obligation	3,857,000	3,938,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	615,400	721,000
Effect on the defined benefit obligation	3,420,000	3,497,000

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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	619,300	727,000
Effect on the defined benefit obligation	3,452,000	3,522,387
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	702,300	821,000
Effect on the defined benefit obligation	3,820,000	3,908,432

18. NON-CURRENT PROVISIONS

	2020	2019
	R	R
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	19,886,610	19,106,878
Total Non-current Provisions	<u>19,886,610</u>	<u>19,106,878</u>

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

Decommissioning of Landfill Sites

Opening Balance	19,106,878	18,817,361
Increases (Passage of Time/Discounted Rate)	779,732	289,517
Balance at end of year	<u>19,886,611</u>	<u>19,106,878</u>

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R19,886,611 (2019: R19,106,878) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its two dumping/landfill sites in 2025/26. Provision has been made for the net present value of this cost.

	Proposed Rehabilitation		
Jenn Haven Landfill	2025/26	5,585,611	5,350,551
Boichoko Landfill	2025/26	14,301,000	13,756,328
		<u>19,886,611</u>	<u>19,106,878</u>

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
19. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	378,304,525	457,684,240
Total Accumulated Surplus	<u><u>378,304,525</u></u>	<u><u>457,684,240</u></u>

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

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
20. PROPERTY RATES		
	Property Valuation as 30/06/2020 R	<i>Restated</i> Property Valuation as 30/06/2019 R
Church	14,117,100	44,063,200
Commercial	2,705,615,500	303,461,680
Industrial	111,205,000	82,440,000
Mines	447,822,300	370,605,000
Municipal	240,430,700	139,766,753
Agriculture	5,051,086,460	3,769,118,175
Residential	2,817,830,601	1,448,672,501
Small holdings and farms	30,730,000	18,921,000
State	415,932,100	292,167,000
Total	<u>11,834,769,761</u>	<u>6,469,215,309</u>

	Actual Levies	
	2020 R	2019 R
Total Property Rates	<u>58,570,538</u>	<u>27,695,225</u>

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

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

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

Church	0.007494	0.007070
Commercial	0.011236	0.010600
Industrial	0.011236	0.010600
Mines	0.005677	0.028290
Municipal	0.007494	0.007070
Agriculture	0.000449	0.000424
Residential	0.007494	0.007070
Small holdings and farms	0.007494	0.007070
State	0.007494	0.007070

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

No interest that is charged on arrear accounts.

	2020 R	2019 R
21. FINES, PENALTIES AND FORFEITS		
Traffic Fines	124,600	206,300
Municipal	124,600	206,300
Other Fines	138	210,480
Illegal Connections	-	210,000
Overdue Books Fine	138	480
Total Fines, Penalties and Forfeits	<u>124,738</u>	<u>416,780</u>

22. LICENCES AND PERMITS

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Non-Exchange Transactions 2020 R	Non-Exchange Transactions 2019 R
Road and Transport	842,075	1,287,056
Activities on Public Roads	385	736
Motor Vehicle Licence	841,305	1,286,320
Total Licences and Permits	842,075	1,287,056

23. TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	12,438,895	20,179,876
Allocations In-kind	1,161,633	11,624,785
Monetary Allocations	11,277,262	8,555,091
Operational Grants	47,644,480	42,243,683
Allocations In-kind	-	-
Monetary Allocations	47,644,480	42,243,683
Total Government Grants and Subsidies	60,083,375	62,423,559

23.1 Capital Grants

		Monetary Allocations	
		2020	2019
National Governments	MIG, WSIG & INEP	11,188,262	8,555,091
Provincial Government	Disaster Grant	89,000	-
Public contribution	Mines - note 52	1,161,633	11,624,785
Total Capital Grants Received		12,438,895	20,179,876

23.2 Operational Grants

		Monetary Allocations	
		2020	2019
Departmental Agencies and Accounts	LG SETA	139,074	-
National Governments	EPWP & FMG	4,010,000	3,291,000
National Revenue Fund	Equitable share	39,037,000	35,374,000
Public contribution	Kolomela, Sishen	3,132,658	2,384,683
Provincial Government	PT & Library	1,325,748	1,194,000
Public contribution			
Total Operational Grants Received		47,644,480	42,243,683

23.3 Reconciliation per Grant Source

23.3.1 Integrated National Electrification Programme Grant (INEP)

	2020 R	2019 R
Balance unspent at beginning of year	-	-
Current year receipts	2,000,000	-
Conditions met - transferred to Revenue	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	2,000,000	-

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of infrastructure and rehabilitation of electricity infrastructure. The amount received hasn't been used as at 30 June 2020.

23.3.2 Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	676,773
Current year receipts	-	4,000,000
Conditions met - transferred to Revenue	-	(3,276,773)
Other Adjustments/Refunds	-	(1,400,000)
Conditions still to be met - transferred to Current Liabilities (see Note 15)	-	-

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This grant has been provided by department of Water Affairs to try to get water to areas where it was recognised that full services would not become available. The Municipality did not receive the WSIG during the 2020 Annual Financial period.

23.3.3 National Revenue Fund - Equitable Share

Current year receipts	39,037,000	35,374,000
Conditions met - transferred to Revenue	<u>(39,037,000)</u>	<u>(35,374,000)</u>
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

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

	2020	2019
	R	R
23.3.4 Sishen Iron Ore Financial Support Grant		
Balance unspent at beginning of year	411,323	411,323
Current year receipts	-	-
Conditions met - transferred to Revenue	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>411,323</u>	<u>411,323</u>

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

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

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

23.3.6 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	7,167,305	2,533,623
Current year receipts	15,542,000	15,312,000
Conditions met - transferred to Revenue: Operating Expenses	(596,241)	(744,460)
Conditions met - transferred to Revenue: Capital Expenses	(9,879,021)	(3,533,858)
Other Adjustments/Refunds	(7,167,000)	(6,400,000)
Conditions met - transferred to Revenue: Covid19 Expenses	(713,000)	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>4,354,042</u>	<u>7,167,305</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. The prior year Unspent of R7 167 305 was withheld and the Equitable share for this financial year has been reduced by this amount of R7 167 305. The Municipality used R713 000 of the MIG as part of the Covid19 response related expenditures.

23.3.7 National: Municipal Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	2,880,000	2,415,000
Conditions met - transferred to Revenue	(2,880,000)	(2,291,000)
Other Adjustments/Refunds	-	(124,000)
Conditions still to be met - transferred to Current Liabilities (see Note 15)	<u>-</u>	<u>-</u>

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

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

Balance unspent at beginning of year	-	-
Current year receipts	1,130,000	1,000,000
Conditions met - transferred to Revenue	(1,130,000)	(1,000,000)

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Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	-	-

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

	2020 R	2019 R
24.3.9 Public contribution: Kolomela Mine		
Balance unspent at beginning of year	-	-
Current year receipts	3,132,658	2,384,683
Conditions met - transferred to Revenue	(3,132,658)	(2,384,683)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	-	-

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

24.3.10 Disaster Grant

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

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

24.3.11 LG SETA Mandatory Grant

Balance unspent at beginning of year	-	-
Current year receipts	139,074	-
Conditions met - transferred to Revenue	(139,074)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 15)	-	-

This grant is to be utilised by the Municipality for training.

24. SERVICE CHARGES

Sale of Electricity	48,252,120	46,628,335
Sale of Water	15,268,252	14,701,107
Refuse Removal	13,940,832	13,133,062
Sewerage and Sanitation Charges	26,534,967	22,273,431
Total Service Charges	103,996,172	96,735,935

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

	2020 R	2019 R
25. SALES OF GOODS AND RENDERING OF SERVICES		
Building Plan Approval	195,016	19,484
Cemetery and Burial	31,297	31,257
Library Fees	1,769	3,616
Photocopies and Faxes	63,751	75,566
Sale of Goods	1,378	68,165
Scrap, Waste & Other Goods	5,643	12,143
Total Sales of Goods and Rendering of Services	298,855	210,231

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26. RENTAL FROM FIXED ASSETS

Other Fixed Assets	320,616	410,380
Property Plant and Equipment	320,616	410,380

Total Rental of Facilities and Equipment	337,813	410,380
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Rental income generated are at market related premiums. All rental income recognised is therefore market related.

27. INTEREST, DIVIDENDS AND RENT ON LAND EARNED

Bank Account	14,889	24,800
Investments	871,863	1,105,915
	886,753	1,130,716

28. OPERATIONAL REVENUE

Administrative Handling Fees	162,655	140,055
Collection Charges	42,157	-
Incidental Cash Surpluses	2,429	12,110
Inspection Fees	26,468	17,701
Insurance Refund	-	18,864
Total Operational Revenue	233,709	188,730

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

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	2020 R	2019 R
29. EMPLOYEE RELATED COSTS		
Salaries and Wages		
Basic	44,814,228	41,587,493
Bonusses	3,582,892	3,423,091
Leave Payments	1,511,983	874,683
Overtime	4,809,664	9,042,088
Allowances		
Housing Benefits	2,850,801	2,360,359
Standby Allowance	1,071,526	991,494
Travel or Motor Vehicle	4,151,186	4,129,494
Social Contributions		
Bargaining Council	28,724	26,583
Group Life Insurance	90,600	98,200
Medical	1,254,524	1,195,389
Pension	7,170,639	6,606,552
Unemployment Insurance	425,414	416,095
Post-retirement Benefit		
Current Service Cost	854,440	805,000
Interest Cost	1,341,504	1,452,000
Actuarial Gains and Losses	(696,891)	(117,944)
Total Employee Related Costs	73,261,235	72,890,576

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager - H Mathobela

Annual Remuneration	737,457	784,069
Car and Other Allowances	363,252	360,487
Total	1,100,709	1,144,556

Remuneration of the Chief Financial Officer - A Kooverjee

Annual Remuneration	-	57,010
Bonus	-	28,505
Leave	-	80,139
Car and Other Allowances	-	28,369
Total	-	194,023

A Kooverjee resigned in July 2018. The post was vacant as from 01 August 2018 to the end of July 2019 while JB Moselelane acted as the Chief Financial Officer.

	2020 R	2019 R
<i>Remuneration of the Acting Chief Financial Officer - JB Moselelane</i>		
Annual Remuneration	170,221	897,563
Car and Other Allowances	18,767	113,800
Total	188,987	1,011,363

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

Remuneration of the Chief Financial Officer - LR Coakley

Annual Remuneration	446,279	-
Car and Other Allowances	321,964	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	768,243	-

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Remuneration of the Director Corporate Services - IC Nkadimang

Annual Remuneration	719,953	779,587
Car and Other Allowances	<u>370,185</u>	<u>370,191</u>
Total	<u>1,090,138</u>	<u>1,149,778</u>

Remuneration of the Director: Technical Services - MC Links

Annual Remuneration	-	42,387
Leave	-	36,097
Car and Other Allowances	-	74,384
Total	-	<u>152,868</u>

MC Links resigned in August 2018. The post was vacant as from September 2018 to the end of the reporting period.

Remuneration of the Acting Director: Technical Services - BLK Botha

Annual Remuneration	1,001,556	581,140
Car and Other Allowances	<u>119,159</u>	<u>79,396</u>
Total	<u>1,150,351</u>	<u>660,536</u>

BLK Botha has acted in this position from December 2018 till the end of the reporting period.

Remuneration of the Director: Community Services - LL Theys

Annual Remuneration	635,253	635,650
Car and Other Allowances	<u>447,231</u>	<u>447,828</u>
Total	<u>1,082,484</u>	<u>1,083,478</u>

Summary of Remuneration of Section 57 Employees:

All Managers	5,380,912	5,396,601
Total Remuneration of Section 57 Employees	<u>5,380,912</u>	<u>5,396,601</u>

Refer to Appendix G for more detail.

30. REMUNERATION OF COUNCILLORS

	2020	2019
	R	R
Executive Mayor	825,631	846,637
Speaker	685,414	702,542
Chief Whip	289,680	289,680
Total for All Other Councillors	3,676,400	3,678,525
Total Councillors' Remuneration	<u>5,477,125</u>	<u>5,517,384</u>

Remuneration of Councillors:

In-kind Benefits

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

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

Refer to Appendix G for more detail.

31. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	31,927,135	30,694,223
Amortisation: Intangible Assets	397,166	504,483
Total Depreciation and Amortisation	<u>32,324,301</u>	<u>31,198,705</u>

31.1 Depreciation: Property, Plant and Equipment

Community Assets	1,055,738	1,093,190
Infrastructure	23,428,843	23,252,045
Buildings	3,778,069	3,779,459
Landfill site	151,889	151,889
Other Assets	3,512,596	2,417,640

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	31,927,135	30,694,223
<p>The prior year amount for depreciation on Property, Plant and Equipment has been restated to agree with the Asset Register. Refer to note 41 on " Correction of Error" for details of the restatement.</p>		
32. IMPAIRMENT LOSSES		
Impairment Losses on Fixed and Current Assets	224,900	5,330,057
Impairment Losses on Financial Assets	70,861,565	32,117,032
Total Impairment Losses	71,086,465	37,447,089
32.1 Impairment Losses on Fixed & Current Asset		
Impairment Losses		
Consumables - Provision for obsolete stock	-	-
Property, Plant and Equipment	224,900	5,330,057
	224,900	5,330,057
	2020	2019
	R	R
32.2 Impairment Losses on Financial Assets		
Impairment Losses		
Trade and Other Receivables from Exchange Transactions	34,499,044	25,526,181
Trade and Other Receivables from Non-exchange Transactions	36,362,521	6,590,851
	70,861,565	32,117,032
33. INTEREST, DIVIDENDS AND RENT ON LAND PAID		
Interest Paid	17,814,335	16,358,795
Finance Leases	2,112,197	2,001,291
Interest costs non-current Provisions	779,732	289,517
Overdue Accounts	14,922,406	14,067,987
Total Interest, Dividends and Rent on Land	17,814,335	16,358,795
<p>The prior year amount for Interest paid has been restated to account for interest on overdue accounts. Refer to note 41 on " Correction of Error" for details of the restatement.</p>		
34. BULK PURCHASES		
Electricity	38,613,402	42,619,846
Water	19,861,058	17,716,275
Total Bulk Purchases	58,474,459	60,336,121
35. CONTRACTED SERVICES		
Outsourced Services	7,093,930	6,985,401
Consultants and Professional Services	6,085,570	3,517,172
Contractors	6,681,265	14,083,533
Total Contracted Services	19,860,765	24,586,106
35.1 Outsourced Services		
Business and Advisory	4,941,786	6,985,401
Medical Services [Medical Health Services & Support]	-	-
	7,093,930	6,985,401
	2020	2019

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	R	R
35.2 Consultants and Professional Services		
Business and Advisory	5,477,050	3,256,198
Laboratory Services	170,840	260,800
Legal Cost	437,680	175
	6,085,570	3,517,172

35.3 Contractors		
Maintenance of Buildings and Facilities	935,314	953,219
Maintenance of Equipment	120,955	1,305,095
Maintenance of Computer Software	1,305,234	3,467,295
Safeguard and Security	-	3,717
Tracing Agents and Debt Collectors	4,319,763	8,354,207
	6,681,265	14,083,533

The **prior year amount** for has been restated for the allocation correction of Remuneration of Ward Committees which was accounted for under Contracted services instead of Operational Costs. Refer to Note 41 on "Correction of errors" for details of the restatement.

36. INVENTORY CONSUMED

Consumables	1,777,450	1,903,651
Materials and Supplies	215,981	1,517
	1,993,432	1,905,168

37. OPERATING LEASES

Machinery and Equipment	-	505
Other Assets	2,299,211	3,158,045
Machinery, vehicles and equipment	2,299,211	3,158,550

38. OPERATIONAL COSTS

	2020 R	2019 R
Included in General Expenses are the following:		
Advertising, Publicity and Marketing	406,446	736,639
Bank Charges, Facility and Card Fees	223,498	306,948
Communication	744,156	648,910
Entertainment	117,615	72,938
External Audit Fees	2,909,387	3,553,369
External Computer Service	1,896,388	1,611,594
Indigent Relief	7,759,633	6,544,358
Insurance Underwriting	395,002	531,794
Licences	56,722	532,858
Municipal Services	1,503,284	1,120,884
Printing, Publications and Books	89,452	227,313
Professional Bodies, Membership and Subscription	1,250,298	1,302,871
Registration Fees	-	1,000
Remuneration to Ward Committees	459,500	403,423
Skills Development Fund Levy	623,622	637,200
Travel and Subsistence	442,988	370,982
Uniform and Protective Clothing	408,117	12,603
Workmen's Compensation Fund	1,050	540
Total Operational Costs	19,287,159	18,616,224

No other extra-ordinary expenses were incurred.

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The prior year amount for has been restated for the allocation correction of Remuneration of Ward Committees which was accounted for under Contracted services instead of Operational Costs. Refer to Note 41 on "Correction of errors" for details of the restatement.

39. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Fair Value adjustment Investment Property	-	(21,784,842)
Inventory		(154,770)
Investment Property	-	(524,732)
Property, Plant and Equipment	(4,501,026)	(4,740,290)
Total Gains / (Losses) on Disposal of Capital Assets	<u>(4,501,026)</u>	<u>(27,204,633)</u>
Total Gains on Disposal of Capital Assets	<u>-</u>	<u>-</u>
Total Losses on Disposal of Capital Assets	<u>4,501,026</u>	<u>27,204,633</u>

TSANTSABANE LOCAL MUNICIPALITY
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48. FINANCIAL INSTRUMENTS (Continued)

46.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

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

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

Description	Note ref in AFS	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	R	R	R	R		R
30 June 2020							
Non-interest Bearing		332,291,650	332,291,650	-	-	-	-
- Payables from Exchange transactions	14	332,291,650	332,291,650	-	-	-	-
Fixed Interest Rate Instruments		17,899,482	5,872,766	5,950,065	4,103,511	1,973,141	-
- Current Portion of Long-term Liabilities	16	8,680,526	4,301,613	4,378,912	-	-	-
- Non-Current Portion of Long-term Liabilities	16	6,076,652			4,103,511	1,973,141	
Bank Overdraft		3,142,305	1,571,152	1,571,152			
		350,191,132	338,164,416	5,950,065	4,103,511	1,973,141	-
		2,496,722.65					
30 June 2019							
Restated:							
Non-interest Bearing		269,977,104	269,977,104	-	-	-	-
- Payables from Exchange transactions	14	269,977,104	269,977,104	-	-	-	-
Fixed Interest Rate Instruments		16,585,171	3,517,443	3,394,897	7,691,940	1,980,891	-
- Current Portion of Long-term Liabilities	16	6,912,340	3,517,443	3,394,897	-	-	-
- Non-Current Portion of Long-term Liabilities	16	9,672,831			7,691,940	1,980,891	
		286,562,275	273,494,547	3,394,897	7,691,940	1,980,891	-
		(0.00)					

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

Description	Note ref in AFS	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	R	R	R	R		R
30 June 2020							
Non-interest Bearing		27,482,482	27,482,482	-	-	-	-
- Trade Receivables from Exchange Transactions	3	12,736,927	12,736,927	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4	14,743,555	14,743,555	-	-	-	-
- Cash and Cash Equivalents	6	2,000	2,000	-	-	-	-
Variable Interest Rate Instruments		15,290,313	15,290,313	-	-	-	-
- Call Deposits	6	15,265,012	15,265,012	-	-	-	-
- Bank Account	6	25,302	25,302	-	-	-	-
		42,772,796	42,772,796	-	-	-	-
30 June 2019							
Non-interest Bearing		17,459,085	17,459,085	-	-	-	-
- Trade Receivables from Exchange Transactions	3	9,544,151	9,544,151	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4	7,912,934	7,912,934	-	-	-	-
- Cash and Cash Equivalents	6	2,000	2,000	-	-	-	-
Variable Interest Rate Instruments		12,428,393	12,428,393	-	-	-	-
- Call Deposits	6	10,493,716	10,493,716	-	-	-	-
- Bank Account	6	1,934,677	1,934,677	-	-	-	-
		29,887,478	29,887,478	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40. DISCONTINUED OPERATIONS

No operations have been discontinued.

41. CHANGE IN ACCOUNTING POLICY

The municipality adopted no Accounting Standards for the first time during the financial year 2019/20 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

42. CORRECTION OF ERROR

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

42.1 Reclassification of Accumulated Surplus

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

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2018		569,049,008
Correction of Error:-		
Adjustment for VAT Receivable not recorded in Base Year	298,249	
Adjustment for Donated Assets not recorded in Base Year	1,737,577	
Adjustment for Exchange Payables not recorded in Base Year	(3,079,953)	
Reversal of GRID Control Software accounted for as Movable Assets instead of Intangible Assets	(1,547,406)	
Correction of Heritage & Intangible Assets included in Other Assets as at 30 June 2018	(196,707)	
Reverse accumulated depreciation that was incorrectly raised on Heritage Assets (Canon) included as part of Other Assets as at 30 June 2018	15,870	
Recognition of GRID Control Software accounted for as Movable Assets instead of Intangible Assets	1,547,639	
Adjust Exchange Payables - Account for Unknown Deposits	(1,479,559)	
Rounding Errors	3	
	3	(2,704,286)
Restated Balances as at 30 June 2018		566,344,722
Correction of Error as per Vote:		60,257
Transactions incurred for the Year 2018/19 : Previously Reported		(115,188,973)
Correction of Error:-		
Correction of Error as per Vote:		
Adjustment for Service Charges not recorded in Prior Year	(1,303,683)	
Adjustment for Property Rates not recorded in Prior Year	273,824	
Adjustment for VAT Receivable not recorded in Prior Year	427,012	
Adjustment for Donated Assets not recorded in Prior Year	11,450,664	
Adjustment for PPE not recorded in Prior Year	21,498	
Adjustment for Intangible Assets not recorded in Prior Year	3,505	
Adjustment for Exchange Payables not recorded in Prior Year	(3,964,630)	
Adjust Service Charges - Billing for Sewerage Dumping	623,078	
Adjust Service Charges - Correction of VAT on Pre-paid Electricity Sales	(29,584)	
Adjust Interest & Rent on Land - Accounting for Penalty for late submission of VAT201 Returns	(71,989)	
Adjust Inventory - Correction of Stock Balance to agree with Stock Count as at 30 June 2019	10,220	
Adjust Inventory - Correction of Disposals of Land-for-Sale not recorded	(154,768)	
Adjust VAT Receivable - Correction of Prior Year Retention	1,828	
Adjust VAT Receivable - Correction of 2019 WIP Invoice	140,430	

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Adjust PPE - Correction of 2019 WIP Invoice	936,200	
Adjust PPE - Correction of 2019 Depreciation on Heritage Assets included in Other Assets	63,766	
Adjust PPE - Correction of 2019 depreciation on a Heritage asset (Canon) included in Other Assets	7,935	
Adjust PPE - Reversal of Depreciation on GRID Control Software previously accounted for as Movable Assets	440,619	
Adjust Intangible Assets - Recognition of Amortisation on GRID Control Software not previously accounted for as Intangible Assets	(440,717)	
Adjust Exchange Payables - Correction of 2019 WIP Invoice	(1,076,630)	
Adjust Exchange Payables - Account for Unknown Deposits	(876,130)	
Adjust Exchange Payables - Account for Interest on Telephone Account	(12,382)	
Adjust Exchange Payables - Account for Retentions	(1,828)	
Rounding Errors	2	6,468,239

Restated Balances as at 30 June 2019 **457,684,245**

4.59

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

43.2 Reclassification of Revenue

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2018/19
Property Rates	27,421,401	-	27,421,401	273,824	27,695,225
Fines, Penalties and Forfeits	416,780	-	416,780	-	416,780
Licences and Permits - Non-exchange	1,287,056	-	1,287,056	-	1,287,056
Transfers and Subsidies	50,798,774	-	50,798,774	11,624,785	62,423,559
Service Charges	97,428,124	-	97,428,124	(692,189)	96,735,935
Sales of Goods and Rendering of Services	210,231	-	210,231	-	210,231
Rental from Fixed Assets	428,380	-	428,380	(18,000)	410,380
Interest Earned - External Investments	1,130,716	-	1,130,716	-	1,130,716
Operational Revenue	1,064,860	-	1,064,860	(876,130)	188,730
Fair Value adjustment Investment Property	-	-	-	-	-
	<u>180,186,322</u>	<u>-</u>	<u>180,186,322</u>	<u>10,312,290</u>	<u>190,498,612</u>

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

	Property Rates	Service Charges
Balance previously reported	27,421,401	97,428,124
Adjustment of Property Rates raised in Error	273,824	
Adjustment of Electricity Sales raised in Error		(601,527)
Adjustment of Refuse Removal raised in Error		(258,420)
Adjustment of Sewerage Charges raised in Error		(336,858)
Adjustment of Water Sales raised in Error		(88,878)
Adjust Billing for Sewerage Dumping		623,078
Adjust VAT on Pre-paid Electricity Sales		(29,584)
Restated Balance now reported	<u>27,695,225</u>	<u>96,735,935</u>
	Transfers and Subsidies	Rental from Fixed Assets
	Operational Revenue	
Balance previously reported	50,798,774	428,380
Adustment for Donated Assets not recorded in Prior Year	11,624,785	
Adjustment of Rental Charges raised in Error		(18,000)
Collection charges - unknown deposits accounted for as unallocated deposits		(876,130)
Restated Balance now reported	<u>62,423,559</u>	<u>410,380</u>
	Operational Revenue	188,730

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Property Rates:

The **prior year amounts** for *Property Rates* and Receivables from Non-exchange Transactions have been restated to correctly disclose the revenue for Property Rates, previously incorrectly raised through Billing System.

Transfers and Subsidies Received:

The prior year amounts for Transfers & Subsidies Received and Property, Plant & Equipment have been restated to correctly disclose the revenue for donated assets, previously not recognised.

Service Charges:

The **prior year amounts** for *Service Charges* and Receivables from Exchange Transactions have been restated to correctly disclose the revenue for Electricity Sales, Refuse Removal, Sewerage Charges and Water Sales, previously incorrectly raised through Billing System.

Furthermore, the **prior year amounts** for *Service Charges* has been restated due to the recognition of billing for sewerage dumping for the year 2018/19 which was raised in the current financial year.

Furthermore, the **prior year amounts** for *Service Charges* has been restated to correct VAT on pre-paid electricity sales from VETA investments.

Rental of Fixed Assets:

The prior year amounts for Rental of Fixed Assets and Receivables from Exchange Transaction have been restated to correctly disclose the revenue for Rentals, previously incorrectly raised through Billing System.

Operational Revenue:

The prior year amount for *Operational Revenue* has been restated to account for unknown deposits included in Collection Charges against Payables from Exchange Transactions - Unallocated Deposits.

43.3 Reclassification of Expenditure

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

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2018/19
Employee Related Costs	72,890,576	-	72,890,576	-	72,890,576
Remuneration of Councillors	5,517,384	-	5,517,384	-	5,517,384
Depreciation and Amortisation	31,096,188	-	31,096,188	102,518	31,198,705
Impairment Losses	37,447,087	-	37,447,087	2	37,447,089
Interest, Dividends and Rent on Land	16,270,761	-	16,270,761	88,035	16,358,795
Bulk Purchases	60,336,121	-	60,336,121	(0)	60,336,121
Contracted Services	22,569,376	106,236	22,675,612	1,910,493	24,586,106
Inventory Consumed	2,018,965	(106,236)	1,912,729	(7,561)	1,905,168
Operating Leases	2,759,665	-	2,759,665	398,885	3,158,550
Operational Costs	17,419,309	-	17,419,309	1,196,915	18,616,224
Loss on Disposal of PPE	27,049,865	-	27,049,865	154,768	27,204,633
	295,375,296	0	295,375,296	3,844,054	299,219,350

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

	Employee Related Costs	Remuneration of Councillors	Interest, Dividends and Rent on Land
Balance previously reported	72,890,576	5,517,384	16,270,761
Adjustment for Interest not recorded in Prior Year			3,663
Adjust Interest, Dividends and Rent on Land - Accounting for interest on telephone account in the correct financial year.			12,382
Adjust Interest, Dividends and Rent on Land - Recognition of prior year VAT penalty for late submission of VAT 201 returns.			71,989
Restated Balance now reported	72,890,576	5,517,384	16,358,795
			0.00

Interest, Dividends and Rent on Land:

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The **prior year amounts** for *Interest, Dividends and Rent on Land* and Payables from Exchange Transactions have been restated to correctly account for interest on late payments made by the municipality, previously not recorded.

Furthermore, the **prior year amounts** for *Interest, Dividends and Rent on Land* have been restated to correctly account for interest on the municipality's telephone account in the correct financial year.

	Depreciation and Amortisation	Impairment Losses	Bulk Purchases
Balance previously reported	31,096,188	37,447,087	60,336,121
Correction of 2019 depreciation on Heritage & Intangible Assets included in Other Assets	(63,766)		
Correction of amortization on GRID control software not previously accounted for as intangible Assets	411,531		
Correction of 2019 depreciation on a Heritage asset (Canon) previously included in Other Assets	(7,935)		
Reversal of 2019 depreciation on GRID contrl software included in Movebale Assets insted of Intangible Assets	(411,433)		
Recording of Depreciation on Donated Assets not previously recognised	174,121		
Rounding Errors		2	
Restated Balance now reported	31,198,705	37,447,089	60,336,121
	0.00-		

Depreciation and Amortisation:

The **prior year amounts** for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to reverse deprecion on Heritage & Intangible Assets included in Other Assets.

Furthermore, the **prior year amounts** for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Infrastructure Assets from WIP, previously not capitalised.

Furthermore, the **prior year amounts** for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for donated assets, previously not capitalised.

	Contracted Services	Inventory Consumed	Operational Costs
Balance previously reported	22,569,376	2,018,965	17,419,309
Adustment for Expenditure not recorded in Prior Year	2,313,916	2,659	793,492
Allocation correction of Vote 0521/3849/0000 (Public Woks & Streets)	106,236	(106,236)	
Allocation correction of Vote 0101/4491/0000 (Remuneration to ward committes)	(403,423)		403,423
Correction of Inventory stock balance to agree with stock count as at 30 June		(10,220)	
Restated Balance now reported	24,586,106	1,905,168	18,616,224
	(0.00)	0.00	(0.00)

Contracted Services:

The **prior year amounts** for *Contracted Services* and Payables from Exchange Transactions have been restated to correctly account for contractors paid, previously not recorded.

Furthermore, the **prior year amount** for *Contracted Services* and Inventory Consumed have been restated due to an allocation correction of Vote 0521/3849/0000 (Public Woks & Streets), that relates to repairs and maintenance expenditure incurred by contractors and therefore allocated to contracted services instead of inventory consumed.

Furthermore, the **prior year amount** for *Contracted Services* and Operational Costs have been restated due to an allocation correction of Vote 0101/4491/0000 that relates to remuneration of ward committees previously allocated to contracted services.

Inventory Consumed:

The **prior year amounts** for *Inventory Consumed* and Payables from Exchange Transactions have been restated to correctly account for inventories utilised in operations, previously not recorded.

Furthermore, the **prior year amount** for *Inventory consumed* has been restated due to an allocation correction of Vote 0521/3849/0000 (Public Woks & Streets), that relates to repairs and maintenance expenditure incurred by contractors and therefore allocated to contracted services instead of inventory consumed.

Furthermore, the **prior year amounts** for *Inventory Consumed* and Inventories have been restated to correctly account for inventories utilised in operations, adjusting stock balances to stocktaking sheets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Operational Costs:

The **prior year amounts** for *Operational Costs* and Payables from Exchange Transactions have been restated to correctly account for costs incurred in operations, previously not recorded.

Furthermore, the prior year amount for *Operational Costs* and Contracted Services have been restated due to an allocation correction of Vote 0101/4491/0000 that relates to remuneration of ward committees previously allocated to contracted services.

	Operating Leases	Loss on Disposal of PPE
Balance previously reported	2,759,665	27,049,865
Adjustment for Lease Payments not recorded in Prior Year	398,885	
Adjust Inventory - Land-for-Sale disposed during 2018/19		154,768
Rounding Errors		
Restated Balance now reported	3,158,550	27,204,633
	0.00	

Operating Leases:

The **prior year amounts** for *Operating Leases* and Payables from Exchange Transactions have been restated to correctly account for lease charges, previously not recorded.

Losses on Disposal of Capital Assets:

The **prior year amounts** for *Losses on Disposal of Capital Assets* and Inventories have been restated to correctly disclose land held-for-sale, disposals previously not recorded.

43.4 Reclassification of Statement of Financial Position

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

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2018/19
Current Assets					
Inventories	5,919,977	-	5,919,977	1,185,117	7,105,094
Receivables from Exchange Transactions	10,224,756	-	10,224,756	(680,605)	9,544,151
Receivables from Non-exchange Transactor	7,639,110	-	7,639,110	273,824	7,912,934
VAT Receivable	6,718,706	-	6,718,706	765,946	7,484,652
Cash and Cash Equivalents	12,430,393	-	12,430,393	-	12,430,393
Operating Lease Receivables	22,798	-	22,798	-	22,798
Non-Current Assets					
Property, Plant and Equipment	673,702,031	-	673,702,031	12,868,642	686,570,672
Intangible Assets	57,943	-	57,943	1,132,126	1,190,069
Investment Property	57,564,963	-	57,564,963	(1,329,663)	56,235,300
Heritage Assets	355,000	-	355,000	39,675	394,675
Current Liabilities					
Consumer Deposits	(2,293,914)	-	(2,293,914)	-	(2,293,914)
Payables from Exchange Transactions	(259,485,992)	-	(259,485,992)	(10,491,112)	(269,977,104)
Current employee benefits	(1,161,328)	-	(1,161,328)	-	(1,161,328)
Unspent Conditional Grants and Receipts	(7,710,376)	-	(7,710,376)	-	(7,710,376)
Current Portion of long term liability	(6,912,339)	-	(6,912,339)	-	(6,912,339)
Non-Current Liabilities					
Long-term Liabilities	(9,672,831)	-	-9,672,831	-	(9,672,831)
Non-current Provisions	(19,106,878)	-	-19,106,878	-	(19,106,878)
Employee Benefit Liabilities	(14,371,728)	-	-14,371,728	-	(14,371,728)
Net Assets					
Accumulated Surplus / (Deficit)	(453,920,291)	-	(453,920,291)	(3,763,949)	(457,684,240)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

-	-	-	<u>1.00</u>
-	-	-	-

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

	Inventories	Exchange Receivables	Non- exchange Receivables	VAT
Balances previously published per AFS as at 30 June 2018	5,818,938	8,015,735	2,268,982	7,306,712
Adustment for VAT Receivable not recorded in Base Year				298,249
Balances now published per AFS as at 30 June 2018	5,818,938	8,015,735	2,268,982	7,604,961
Transactions incurred for the Year 2018/19	101,040	2,209,021	5,370,128	(588,006)
Adustment for Service Charges not recorded in Prior Year		(1,303,683)		
Adustment for Property Rates not recorded in Prior Year			273,824	
Adustment for VAT Receivable not recorded in Prior Year				427,012
Adjust Receivables from Exchange tranasctions - billing for sewerage dumping		623,078		
Adjust VAT for correction of prior year retention				1,828
Adjust VAT due to the capitalisation of a 2019 WIP invoice				140,430
Adjust Service charges - correction of VAT on pre-paid electricity sales				(29,584)
Adjust VAT - Accounting for penalty for late submission of VAT 201 returns.				(71,989)
Adjust Inventory stock balance to agree with stock count as at 30 June 2019	10,220			
Adjust Inventory - Investment Property transferred to Land-for-Sale	1,329,664			
Adjust Inventory - Land-for-Sale disposed during 2018/19	(154,768)			
Balances now published per AFS as at 30 June 2019	7,105,094	9,544,151	7,912,934	7,484,652
	(0.00)	(0.00)	0.00-	0.00

Inventories:

The **prior year amounts** of Inventories and Inventory Consumed have been restated to correctly disclose inventories held, adjusting stock balances to stocktaking sheets.

Furthermore, the **prior year amounts** of Inventories and Investment Property have been restated to correctly disclose land held-for-sale, previously recorded as Investment Property.

Furthermore, the **prior year amounts** of Inventories and Losses on Disposal of Capital Assets have been restated to correctly disclose land held-for-sale, disposals previously not recorded.

Receivables from Exchange Transactions:

The **prior year amounts** of Receivables from Exchange Transactions and Service Charges have been restated to correctly disclose the debtors for Electricity Sales, Refuse Removal, Sewerage Charges and Water Sales, previously incorrectly raised through Billing System.

Futhermore, the **prior year amounts** of Receivables from Exchange Transactions and Service Charges have been restated due to the recognition of billing for sewerage dumping for the year 2018/19 which was raised in the current financial year.

Receivables from Non-exchange Transactions:

The prior year amounts of Receivables from Non-exchange Transactions and Property Rate have been restated to correctly disclose the debtors for Property Rates, previously incorrectly raised through Billing System.

VAT Receivable / Payable:

The **opening balances** of VAT Reivable / Payable and Payables from Exchange Transactions have been restated to correctly disclose the amount for VAT accrued on Payables, expenditure previously not recorded in 2018.

The **prior year amounts** for VAT Reivable / Payable and Receivables from Exchange Transactions have been restated to correctly disclose the amount for VAT, Electricity Sales, Refuse Removal, Sewerage Charges and Water Sales previously incorrectly raised through Billing System.

Furthermore, the **prior year amounts** of VAT Reivable has been restated due to the capitalisation of a 2019 WIP invoice that was captured in the current financial year and also to correct the VAT portion on prior year retentions.

Furthermore, the **prior year amounts** of VAT has been restated to correct VAT on pre-paid electricity sales from VETA.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Furthermore, the **prior year amounts** of VAT has been restated to correct VAT for penalties raised on late submission of VAT201 returns.

	PPE	Intangible Assets	Investment Property	Heritage Assets
Balances previously published per AFS as at 30 June 2018	698,688,494	121,708	80,445,521	355,000
Adjustment for Donated Assets not recorded in Base Year	1,737,577			
Reversal of GRID Control Software accounted for as Movable Assets instead of Intangible Assets	(1,547,406)			
Recognition of GRID Control Software accounted for as Movable Assets instead of Intangible Assets		1,547,639		
Correction of Heritage & Intangible Assets included in Other Assets as at 30 June 2018	(196,707)			
Correction of Heritage Assets included in Other Assets: Canon as at 30 June 2018	(39,675)			39,675
Reverse accumulated depreciation that was incorrectly raised on Heritage Assets (Canon) included as part of Other Assets as at 30 June 2018	15,870			
Balances now published per AFS as at 30 June 2018	698,658,152	1,669,347	80,445,521	394,675
Transactions incurred for the Year 2018/19	(24,986,463)	(63,765)	(22,880,559)	-
Adjustment for Donated Assets not recorded in Prior Year	11,450,664			
Adjustment for PPE not recorded in Prior Year	21,498			
Adjustment for Intangible Assets not recorded in Prior Year		3,505		
Adjust PPE due to the capitalisation of a 2019 WIP invoice	936,200			
Correction of 2019 depreciation on Heritage & Intangible Assets included in Other Assets	63,766			
Allocation correction of Intangible assets additions previously included in Movable Assets	(21,699)	21,699		
Reverse depreciation that was incorrectly raised on Heritage Assets included as part of Other Assets: Canon	7,935			
Reversal of 2019 depreciation on GRID Control Software included in Moveable Assets instead of Intangible Assets	440,619			
Recognition of 2019 depreciation on GRID Control Software included in Moveable Assets instead of Intangible Assets		(440,717)		
Adjust Inventory - Investment Property transferred to Land-for-Sale			(1,329,664)	
Rounding Errors			2	
Balances now published per AFS as at 30 June 2019	686,570,672	1,190,069	56,235,300	394,675
	(0.00)	0.00-	0.00-	0.00-

Property, Plant and Equipment:

The **opening balances** for *Property, Plant & Equipment* and Accumulated Surplus have been restated to correctly disclose the amount for Donated Assets, previously not recognised.

Furthermore, the **opening balances** for *Property, Plant & Equipment*, Intangible Assets and Accumulated Surplus have been restated to correctly disclose the amount for GRID Control Software, previously recognised as Property, Plant and Equipment.

Furthermore, the **opening balances** for *Property, Plant & Equipment*, Heritage Assets and Accumulated Surplus have been restated due to the correction of Heritage & Intangible Assets included in Other Assets as at 30 June 2018.

The **prior year amounts** for *Property, Plant & Equipment*, Amortisation & Depreciation and Transfers & Subsidies Received have been restated to correctly record donated assets, previously not recognised.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Payables from Exchange Transactions have been restated to correctly record movable assets, previously not recognised.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Payables from Exchange Transactions have been restated due to the capitalisation of a 2019 WIP invoice that was captured in the current financial year and also to correct the VAT portion on prior year retentions.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment*, Intangible Assets, Heritage Assets and Payables from Exchange Transactions have been restated to correctly disclose the amount for assets previously incorrectly recognised as Property, Plant & Equipment.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Amortisation & Depreciation have been restated due to the correction of 2019 depreciation on Heritage & Intangible Assets included in Other Assets

Intangible Assets:

The **opening balances** for *Intangible Assets*, Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the amount for GRID Control Software, previously recognised as Property, Plant and Equipment.

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The **prior year amounts** for *Intangible Assets* and Payables from Exchange Transactions have been restated to correctly record intangible assets, previously not recognised.

Furthermore, the **prior year amounts** for *Intangible Assets*, Property, Plant & Equipment, Heritage Assets and Payables from Exchange Transactions have been restated to correctly disclose the amount for assets previously incorrectly recognised as Property, Plant & Equipment.

Heritage Assets:

The **opening balances** for *Heritage Assets*, Property, Plant & Equipment and Accumulated Surplus have been restated due to the correction of Heritage & Intangible Assets included in Other Assets as at 30 June 2018.

	Consumer Deposits	Exchange Payables	Current Employee benefits	Unspent Grants
Balances previously published per AFS as at 30 June 2018	(2,261,202)	(201,012,154)	(1,193,000)	(3,753,467)
Adjustment for Payables not recorded in Base Year		(3,079,953)		
Adjust Exchange Payables transactions to account for unknown deposits as unallocated deposits.		(1,479,559)		
Balances now published per AFS as at 30 June 2018	(2,261,202)	(205,571,666)	(1,193,000)	(3,753,467)
Transactions incurred for the Year 2018/19	(32,712)	(58,473,838)	31,672	(3,956,909)
Adjustment for Payables not recorded in Prior Year		(3,964,630)		
Adjust Payables from Exchange Transactions due to the capitalisation of a 2019 Property Plant and Equipment invoice for Work-In-Progress.		(1,076,630)		
Adjust Payables from Exchange transactions to account for unknown deposits as unallocated deposits.		(876,130)		
Adjust Payables from Exchange transactions to account for interest on telephone account.		(12,382)		
Adjust VAT for correction of prior year retention		(1,828)		
Balances now published per AFS as at 30 June 2019	(2,293,914)	(269,977,104)	(1,161,328)	(7,710,376)
	0.00-	0.00	0.00-	0.00-

Payables from Exchange Transactions:

The **opening balances** of *Payables from Exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the liability for payables, expenditure incurred previously not accrued for.

Furthermore, the **opening balance** for *Payables from Exchange Transactions* and Accumulated Surplus have been restated to account for unknown deposits previously included in Operational Revenue as Unallocated Deposits.

The **opening balances** of *Payables from Exchange Transactions* and Payables from Non-exchange Transactions have been restated to correctly disclose the amount for a payment made reversed, previously not recorded.

Furthermore, the **opening balances** of *Payables from Exchange Transactions* and General Expenses have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously not assessed and accrued for.

The **prior year amounts** of *Payables from Exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the liability for payables, expenditure previously not accrued for.

Furthermore, the **prior year amounts** of *Payables from Exchange Transactions* and Property, Plant & Equipment have been restated due to the capitalization of a 2019 Property Plant and Equipment invoice for work-in-progress invoice that was captured in the current financial year.

Furthermore, the **prior year amounts** for *Payables from Exchange Transactions* and Operational Revenue have been restated to account for unknown deposits included in Operational Revenue as Unallocated Deposits.

Furthermore, the **prior year amounts** for *Payables from Exchange Transactions* and Interest Paid have been restated to account for interest on telephone account, previously not recognised.

Furthermore, the **prior year amounts** for *Payables from Exchange Transactions* and VAT Receivable have been restated to account for retentions, previously incorrectly recognised.

43. CHANGE IN ACCOUNTING ESTIMATES

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

44. CASH GENERATED BY OPERATIONS	2020	2019
	R	R
Surplus / (Deficit) for the Year	(81,005,485)	(108,720,739)
Adjustment for:		
Correction of Prior Year Errors	1,625,770	60,257
Impairment loss Inventory	-	154,770
Depreciation and Amortisation	32,324,301	31,198,705
Impairment Losses on Property, Plant and Equipment	224,900	5,330,057
Losses / (Gains) on Disposal of Property, Plant and Equipment	4,501,026	5,265,022
Contribution to Post-retirement Employee Benefits - Non-current	(349,341)	(356,328)
Contribution to Post-retirement Employee Benefits - Current	(237,328)	(31,672)
Provision for staff leave & bonus	1,301,646	475,882
Debt impairment - Provision for doubtful debts (Exchange)	34,499,044	25,526,180
Debt impairment - Provision for doubtful debts (Non-exchange - Rates)	36,222,113	6,536,398
Debt impairment - Provision for doubtful debts (Non-exchange - Fines)	140,408	54,453
Finance costs - Discounting of provision for rehabilitation of landfill site	779,732	289,517
Employee related cost - actuarial interest	1,341,504	1,452,000
Finance costs - finance leases	2,112,197	2,001,291
Fair value adjustment Investment Property	-	21,784,842
Employee related cost - Actuarial gains	(696,891)	(117,944)
Donation received from mine	(1,161,633)	(11,624,785)
Operating surplus before working capital changes	31,621,964	(20,722,093)
Decrease/(Increase) in Inventories	6,715,702	(1,440,927)
Decrease/(Increase) in Receivables from Exchange Transactions	(37,691,821)	(27,054,597)
Decrease/(Increase) in Receivables from Non-exchange Transactions - Rates	(44,327,321)	(6,959,408)
Decrease/(Increase) in Receivables from Non-exchange Transactions - Fines	1,134,179	(5,275,394)
Decrease/(Increase) in VAT Receivable	2,149,167	120,309
Decrease/(Increase) in Operating Lease Receivables	12,586	6,771
Increase/(Decrease) in Consumer Deposits	118,645	32,711
Increase/(Decrease) in Payables from Exchange Transactions	61,012,899	63,929,565
Increase/(Decrease) in Conditional Grants and Receipts	(945,010)	3,956,909
Cash generated by / (utilised in) Operations	19,800,989	6,593,846
	0.00	-0.00

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

	2020	2019
	R	R
Reconciliation of Unauthorised Expenditure:		
Opening balance	527,862,567	462,427,392
Unauthorised Expenditure current year	83,164,727	65,435,175
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	611,027,294	527,862,567

45.2 Fruitless and Wasteful Expenditure

	2020	2019
	R	R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	56,591,278	42,451,302
Fruitless and Wasteful Expenditure current year	14,881,989	13,979,952
Fruitless and Wasteful Expenditure identified in current year relating to prior years	-	160,024
Expenditure investigated and approved by Council	-	-
To be recovered	-	-
Fruitless and Wasteful Expenditure awaiting condonement	71,473,267	56,591,278

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payment - Various Creditors - R 14,881,989 (2019: R14,139,976)	<i>Under Investigation. To be submitted to Council for condonement.</i>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

<i>Interest on late payment - SARS - (2020: R 641 455)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
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45.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:

	2020 R	2019 R
Opening balance	38,420,068	30,979,320
Irregular Expenditure current year & previously reported	6,460,875	-
Irregular Expenditure prior year, but identified in current year	-	7,440,748
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	44,880,943	38,420,068

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

	2020 R	2019 R
Opening Balance	2,628,745	2,038,660
Council Subscriptions	1,120,215	988,385
Amount Paid - current year	-	-
Amount Paid - previous years	(78,590)	(398,300)
Balance Unpaid (included in Creditors)	3,670,370	2,628,745

46.2 Audit Fees

Opening Balance	2,983,567	2,264,264
Current year Audit Fee	3,644,099	3,543,069
Amount Paid - current year	-	(622,391)
Amount Paid - previous years	(1,233,500)	(2,201,375)
Balance Unpaid (included in Creditors)	5,394,166	2,983,567

46.3 VAT

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

46.4 Pension and Medical Aid Deductions

Opening Balance	1,249,809	1,176,030
Current year Payroll Deductions and Council Contributions	16,278,531	14,806,228
Amount Paid - current year	(14,882,445)	(13,556,420)
Amount Paid - previous years	(1,249,809)	(1,176,030)
Balance Unpaid (included in Creditors)	1,396,086	1,249,809

46.5 Councillor's arrear Consumer Accounts

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Mashila M	1,800	1,800	-
Saulus TJ	4,224	2,854	1,370
Total Councillor Arrear Consumer Accounts	252,912	30,161	222,751

30 June 2019	Total	Outstanding up to 90 days	Outstanding more than 90 days
Daniels M	8,091	1,151	6,940
Davids AR	66,888	2,438	64,450
Ruiters AJ	(1,380)	464	(1,844)
Julies WC	15,652	852	14,800
Esau D	59,930	1,448	58,482
Swart JJ	3,223	3,223	-
Mabilo OM	1,859	1,856	3
Poto EE	1,464	825	639
Phete EEJ	60,462	1,684	58,778
Modise KD	464	538	(75)
Tshabane IK	46,250	4,681	41,570
Mashila M	239	502	(263)
Saulus TJ	5,063	1,683	3,380
Total Councillor Arrear Consumer Accounts	268,204	21,346	246,859

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

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

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

30 JUNE 2020

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

**TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Dragon Loo	15026519	03/04/2020	Covid-19 response	54,602
Dragon Loo	15026524	30/04/2020	Covid-19 response	102,419
Kathu Gazette	15026674	15/05/2020	Impractical to obtain 3 quotes	8,059
Diamond Field Advertiser	15026684	26/05/2020	Impractical to obtain 3 quotes	2,931
Pat & Sons Welding and Project	15026701	29/05/2020		11,700

Total: 1,186,005

30 JUNE 2019

Payee	Reference	Date	Deviation type	Amount
Media 24 Daily Sun ,Beeld,City Vision	15018646	09/07/2018	Possible Irregular Expenditure	6,244
Die Ghaap	15018723	09/07/2018	Possible Irregular Expenditure	3,542
Die Ghaap	15018723	19/07/2018	Possible Irregular Expenditure	3,985
Die Ghaap	15018700	19/07/2018	Possible Irregular Expenditure	4,807
Die Ghaap	15018700	19/07/2018	Possible Irregular Expenditure	8,096
Die Ghaap	15018700	19/07/2018	Possible Irregular Expenditure	1,328
Kathu Gazzette	15018722	19/07/2018	Possible Irregular Expenditure	3,402
Kathu Gazzette	15018721	09/07/2018	Possible Irregular Expenditure	5,630
Kathu Gazzette	15018722	19/07/2018	Possible Irregular Expenditure	4,457
Kathu Gazzette	15018722	19/07/2018	Possible Irregular Expenditure	6,569
Grid Control	15018719	17/07/2018	Possible Irregular Expenditure	62,561
Media 24 Daily Sun ,Beeld,City Vision	15020148	14/11/2018	Possible Irregular Expenditure	12,172
Media 24 Beperk Ltd	15019464	25/09/2018	Possible Irregular Expenditure	91,287
Die Ghaap	15020000	15/10/2018	Possible Irregular Expenditure	2,783
Kathu Gazzette	15020152	14/11/2018	Possible Irregular Expenditure	2,815
Media 24 Beperk Ltd	15023518	22/03/2019	Possible Irregular Expenditure	28,400
Die Ghaap	15023437	01/12/2018	Possible Irregular Expenditure	1,328
Kathu Gazzete	15023802	02/05/2019	Possible Irregular Expenditure	667
Kathu Gazzette	15023689	14/05/2018	Possible Irregular Expenditure	1,350
Kathu Gazzette	15023689	14/05/2019	Possible Irregular Expenditure	189
Kathu Gazzette	15023689	14/05/2019	Possible Irregular Expenditure	1,734
Kathu Gazzette	15023689	14/05/2019	Possible Irregular Expenditure	260
Kathu Gazzette	15023689	14/05/2018	Possible Irregular Expenditure	1,877
Kathu Gazzette	15023689	14/05/2018	Possible Irregular Expenditure	3,988
Kathu Gazzette	15023689	14/05/2018	Possible Irregular Expenditure	1,994
Kathu Gazzette	15023689	14/05/2018	Possible Irregular Expenditure	2,033
Kathu Gazzette	15023689	14/05/2018	Possible Irregular Expenditure	5,541
Die Ghaap	15023802	18/06/2019	Possible Irregular Expenditure	3,985
Die Ghaap	15023802	18/06/2019	Possible Irregular Expenditure	1,392
Die Ghaap	15023802	18/06/2019	Possible Irregular Expenditure	6,641

Total: 281,056

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

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

Electricity:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Electricity Losses	8,091,573	1.2204	9,875,163
30 June 2019	Unaccounted Electricity Losses	9,809,024	1.0527	10,325,589

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

	2020 R	2019 R
Volumes in kWh/year:		
System Input Volume	31,636,752	33,435,146
Billed Consumption	<u>23,545,179</u>	<u>23,626,121</u>
Distribution Loss	<u>8,091,573</u>	<u>9,809,024</u>

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Percentage Distribution Loss	25.58%	29.34%
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The Electricity distribution losses have been restated to include all the Units of electricity that were sold during the 2019 financial year.

Water:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Water Losses	1,578,532	8.15	12,863,727
30 June 2019	Unaccounted Water Losses	1,737,584	7.31	12,698,185

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

	2020 R	2019 R
Volumes in KI/year:		
System Input Volume	2,384,640	2,562,324
Billed Consumption	794,967	813,369
Inventory water stock level	11,141	11,371
Distribution Loss	1,578,532	1,737,584
Percentage Distribution Loss	66.20%	67.81%

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Property Plant and Equipment - Infrastructure assets

	2020 R	2019 R
	36,040,740	44,368,102
This expenditure will be financed from:		
Government Grants	36,040,740	44,368,102
	36,040,740	44,368,102

47.2 Lease Commitments

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

47.3

48. FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

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

		2020 R	2019 R
Financial Assets	Classification		
Receivables from Exchange Transactions			
Electricity	Amortised cost	3,706,555	2,288,475
Refuse	Amortised cost	1,424,644	1,041,432
Sewerage	Amortised cost	3,452,144	2,592,729
Water	Amortised cost	3,536,721	2,644,849
Property Rental Debtors	Amortised cost	598,358	961,284
Other Debtors	Amortised cost	18,506	15,382
Receivables from Non-exchange Transactions			
Property Rates	Amortised cost	9,724,750	1,619,542
Fines	Amortised cost	146,126	191,634
Over Payment of Contractors	Amortised cost	4,872,679	6,101,758
Cash and Cash Equivalents			

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Call Deposits	Amortised cost	15,265,012	10,493,716
Bank Balances	Amortised cost	25,302	1,934,677
Cash Floats and Advances	Fair value	2,000	2,000

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Receivables from Exchange Transactions	Electricity	3,706,555	2,288,475
Receivables from Exchange Transactions	Refuse	1,424,644	1,041,432
Receivables from Exchange Transactions	Sewerage	3,452,144	2,592,729
Receivables from Exchange Transactions	Water	3,536,721	2,644,849
Receivables from Exchange Transactions	Property Rental Debtors	598,358	961,284
Receivables from Exchange Transactions	Other Debtors	18,506	15,382
Receivables from Non-exchange Transactions	Property Rates	9,724,750	1,619,542
Receivables from Non-exchange Transactions	Fines	146,126	191,634
Receivables from Non-exchange Transactions	Deposits held & Payments in advance	4,872,679	6,101,758

Cash and Cash Equivalents	Call Deposits	15,265,012	10,493,716
Cash and Cash Equivalents	Bank Balances	25,302	1,934,677

<u>42,770,795</u>	<u>29,885,478</u>
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Financial Assets at Fair Value:

Cash and Cash Equivalents	Cash Floats and Advances	2,000	2,000
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<u>2,000</u>	<u>2,000</u>
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Total Financial Assets

<u>42,772,796</u>	<u>29,887,478</u>
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FINANCIAL LIABILITIES:

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

<u>Financial Liabilities</u>	<u>Classification</u>	<u>2020</u>	<u>2019</u>
		<u>R</u>	<u>R</u>
Long-term Liabilities			
Finance Lease Liability	Amortised cost	2,551,881	9,672,831
Payables from Exchange Transactions			
Advance Payments	Amortised cost	18,461,923	18,397,663
Bonus	Amortised cost	2,022,911	1,925,093
Leave Accrual	Amortised cost	8,080,919	6,877,090
Other Payables	Amortised cost	37,077,017	32,515,610
Retentions	Amortised cost	2,336,801	1,566,382
Trade Creditors	Amortised cost	264,312,080	208,695,267
Current Portion of Long-term Liabilities			
Finance Lease Liability	Amortised cost	9,708,574	6,912,339
		<u>347,694,410</u>	<u>286,562,275</u>

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Finance Lease Liability	2,551,881	9,672,831
Payables from Exchange Transactions	Advance Payments	18,461,923	18,397,663
Payables from Exchange Transactions	Bonus	2,022,911	1,925,093
Payables from Exchange Transactions	Leave Accrual	8,080,919	6,877,090
Payables from Exchange Transactions	Other Payables	37,077,017	32,515,610
Payables from Exchange Transactions	Retentions	2,336,801	1,566,382
Payables from Exchange Transactions	Trade Creditors	264,312,080	208,695,267
Bank Overdraft	Bank Overdraft	3,142,305	-

TSANTSABANE LOCAL MUNICIPALITY
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Current Portion of Long-term Liabilities	Finance Lease Liability	9,708,574	6,912,339
Total Financial Liabilities		347,694,410	286,562,275

48.2 Fair Value

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

Cash

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

Trade and Other Receivables/Payables

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

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

Other Financial Assets and Liabilities

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

Long-term Liabilities

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

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2020, as a result of the short-term maturity of these assets and liabilities.

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

	30 June 2020		30 June 2019	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:				
Receivables from Exchange Transactions	12,736,927	12,736,927	9,544,151	9,544,151
Receivables from Non-exchange Transactions	14,743,555	14,743,555	7,912,934	7,912,934
Call Deposits	15,265,012	15,265,012	10,493,716	10,493,716
Bank Balances	25,302	25,302	1,934,677	1,934,677
	42,770,795	42,770,795	29,885,478	29,885,478
Measured at Fair Value				
Cash and Cash Equivalents	2,000	2,000	2,000	2,000
	2,000	2,000	2,000	2,000
Total Financial Assets	42,772,796	42,772,796	29,887,478	29,887,478
FINANCIAL LIABILITIES				
Measured at Amortised Cost:				
Finance Lease Liability	347,694,410	347,694,410	286,562,275	286,562,275
Trade and Other Payables:	2,551,881	2,551,881	9,672,831	9,672,831
-Payables from Exchange Transactions	332,291,650	332,291,650	269,977,104	269,977,104
-Current Portion of Long-term Liabilities	9,708,574	9,708,574	6,912,339	6,912,339
Bank Overdraft	3,142,305	3,142,305	-	-
	347,694,410	347,694,410	286,562,275	286,562,275
Total Financial Liabilities	347,694,410	347,694,410	286,562,275	286,562,275
Total Financial Instruments	(304,921,614)	(304,921,614)	(256,674,796)	(256,674,796)
Unrecognised Gain / (Loss)		-		-

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

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

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

Level 1:-

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

Level 2:-

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

Level 3:-

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

30 June 2020

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

30 June 2019

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

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2019.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Gearing Ratio

	2020 R	2019 R
The gearing ratio at the year-end was as follows:		
Debt	15,402,760	16,585,171
Cash and Cash Equivalents	(15,292,314)	(12,430,393)
Net Debt	<u>110,446</u>	<u>4,154,777</u>
Equity	<u>378,304,525</u>	<u>457,684,240</u>

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Net debt to equity ratio

0.03%	0.91%
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Debt is defined as Long-term Liabilities, together with its Short-term Portion.

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

48.4 Financial Risk Management Objectives

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

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

48.5 Significant Risks

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

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

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

Risks and exposures are disclosed as follows:

Market Risk

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

Credit Risk

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

Liquidity Risk

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

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

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

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 45.7 below). No formal policy exists to hedge volatilities in the interest rate market.

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

48.6.1 Foreign Currency Risk Management

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

48.6.2 Interest Rate Risk Management

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

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

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

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

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

48.7 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

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

Trade and Other Receivables

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

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

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

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

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

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

	2020	2019
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	239,760,733	202,068,912
Receivables from Non-exchange Transactions	87,236,302	44,043,161
Bank, Cash and Cash Equivalents	15,290,313	12,428,393
Maximum Credit and Interest Risk Exposure	342,287,349	258,540,466

	2020	2019
	R	R
Bank and Cash Balances		
ABSA Bank Ltd	8,285,357	9,597,169
First National Bank	735,950	1,391,234
Standard Bank	1,545,969	1,439,989
Total Bank and Cash Balances	10,567,276	12,428,393

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

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

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

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

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

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

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

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

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

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

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

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund were R 2,551.9 (30 June 2012: R 1,371.3) million, with a funding level of 101.08% (30 June 2012: 100.45% (as per revised data reconstruction)). The contribution rate paid by the members (9%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

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

National Fund for Municipal Workers

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

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

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

SALA Pension Fund:

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

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

It is the actuary's opinion that :

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

LA Retirement Fund (previously Cape Joint Pension Fund):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the DC section has a funding level of 100% (2017: 100%) and is in a sound financial position. The pensioners account was 103.7% funded (30 June 2017: 102.6%) and also is in a sound financial condition at the valuation date with a surplus of R 63.4 million. Overall the Fund is in a sound financial condition with a surplus of R 63.0 million and an overall funding level of 101.7%. The contribution rate paid by the members is 9,00% and the municipality is 18,00%.

Consolidated Retirement Fund

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

The statutory valuation performed as at 30 June 2017 revealed the following:

Members Share Account: The largest of the accounts is the Member's Share Account representing the total Member's Share of the Fund of R 20.6 billion (30 June 2016: R 20.075). The Member's Share Account of the Fund was in a sound financial condition as at 30 June 2017 with a funding level of 100.3% (30 June 2016: 100.5%).

Reserve Account: The fund maintained R 58 million as at 30 June 2017 in reserve accounts to meet the special death after retirement benefit and unforeseen contingencies.

Pension Account: The Pension Account represents assets of R 653 million set aside to meet pension payments, increases on those payments and any bonuses granted to pensioners. The pensioner liability was R 513 million as at 30 June 2017. The Pension Account was in a sound financial condition and the funding level increased from 118% as at 30 June 2016 to 127.3% as at 30 June 2017.

The fund was certified to be in sound financial position as at 30 June 2017. All accounts of the Fund had a funding level (assets divided by liabilities) of at least 100%.

Municipal Workers Retirement Fund (Previously SAMWU National Provident Fund)

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

None of the above mentioned plans are State Plans.

50. RELATED PARTY TRANSACTIONS

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

50.1 Related Party relationships

Councillors:

Ward	Surname	Initials
1	Poto	EE
2	Daniels	M
3	Phete	EEJ
4	Modise	KD
5	Tshabane	IK
6	Mashila	M
7	Saulus	TJ
Proportional	Davids	AR
Proportional	Ruiters	AJ
Proportional	Julies	WC
Proportional	Esau	D
Proportional	Swart	JJ
Proportional	Mabilo	OM

Directors:

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

50.2 Services rendered to Related Parties

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

Rates Charges	Service Charges	Sundry Charges	Outstanding Balances
R	R	R	R

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Year ended 30 June 2020

Councillors	19,859	128,917	-	252,912
Municipal Manager and Section 57 Personnel	118	80,987	87,853	29,692

Total Services	19,977	209,903	87,853	282,604
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Executive Mayor (Ward 6)	Mashila M	-	9,472	-	1,800
Councillor: Proportional	Dauids AR	2,866	14,543	-	85,252
Councillor: Proportional	Ruiters AJ	281	6,185	-	-5,297
Councillor: Proportional	Julies WC	3,876	6,185	-	1,507
Councillor: Proportional	Esau D	3,747	7,874	-	50,725
Councillor: Proportional	Swart JJ	6,295	18,086	-	5,595
Councillor: Proportional	Mabilo OM	-	11,916	-	2,686
Councillor: Ward 1	Poto EE	-	7,549	-	629
Councillor: Ward 2	Daniels M	551	13,310	-	8,240
Councillor: Ward 3	Phete EEJ	1,613	6,235	-	42,724
Councillor: Ward 4	Modise KD	354	6,185	-	775
Councillor: Ward 5	Tshabane IK	118	13,778	-	54,052
Councillor: Ward 7	Saulus TJ	157	7,597	-	4,224

Section 57 Personnel:

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

	19,977	209,903	87,853	282,604
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Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
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Year ended 30 June 2019

Councillors	717	8,376	-	268,205
Municipal Manager and Section 57 Personnel	-	3,066	6,375	9,895

Total Services	717	11,442	6,375	278,100
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Executive Mayor (Ward 6)	Mashila M	-	464	-	239
Councillor: Proportional	Dauids AR	139	1,374	-	66,887
Councillor: Proportional	Ruiters AJ	-	1,036	-	(1,380)
Councillor: Proportional	Julies WC	-	464	-	15,652
Councillor: Proportional	Esau D	-	556	-	59,930
Councillor: Proportional	Swart JJ	577	464	-	3,223
Councillor: Proportional	Mabilo OM	-	610	-	1,859
Councillor: Ward 1	Poto EE	-	577	-	1,464
Councillor: Ward 2	Daniels M	-	782	-	8,091
Councillor: Ward 3	Phete EEJ	-	515	-	60,462
Councillor: Ward 4	Modise KD	-	464	-	464
Councillor: Ward 5	Tshabane IK	-	1,073	-	46,251
Councillor: Ward 7	Saulus TJ	-	479	-	5,063

Section 57 Personnel:

Municipal Manager	Mathobela H	-	464	3,188	-201
Director Corporate Services	Nkadimang IC	-	464	-	2,172
Director Technical Services	Links MC	-	-	-	-
Director Community Development	Theys JJ	-	2,139	3,188	7,924

	717	11,921	6,375	278,100
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The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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

50.3 Loans granted to Related Parties

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

50.4 Compensation of Related Parties

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

2020:

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

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

2019:

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

Directors	Names	Family Member	Department	Relationship	Remuneration
Director Corporate Services	Nkadimang IC	Nkadimang, KB	Community	Wife	288,377.52
Councillors	Names	Family Member	Department	Relationship	Remuneration
Executive Mayor (Ward 2)	Daniels M	Daniels S	Technical	Husband	125,824.92
Councillors	Names	Family Member	Department	Relationship	Remuneration
Councillor (Proportional)	Davids AR	Williams SF	Finance	Cousin	362,788.20

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

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

2020:

Company/Individual	Tsantsabane employee	Department	Relation of Tsantsabane employee to company owner/(s)	Designation	Amount of award R
M Suez Trading Trading	Susan Moetsi	Mayor's Office	Owner is a Municipal Employee	Cleaner/General Worker	-
Molema M Caterings	Karabo Molema	Corporate Services	Owner is a Municipal Employee	Archieve Clerk	-
Reakopa General Trading	Lesego Morwe & Gladys Witbooi	Executive and Council	Owner is a Municipal Employee	Speaker's Drive and Secretary of	-
Caren Jo Couture (Pty)Ltd	Theys JJ	Community Services	Husband	Director Community Services	20,010.00
Green Tag Recycling Waste Management	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-
Tsantsabane Recycling Waste Management and Civil (Pty) Ltd	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	-

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Janline General Trading t/a Hi-Q Postmasburg	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	148,356.79
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2019:

Company/Individual	Tsantsabane employee	Department	Relation of Tsantsabane employee to company owner/(s)	Designation	Amount of award R
M Suez Trading Trading	Susan Moetsi	Mayor's Office	Owner is a Municipal Employee	Cleaner/General Worker	4,600.00
Molema M Caterings	Karabo Molema	Corporate Services	Owner is a Municipal Employee	Archieve Clerk	-
Reakopa General Trading	Lesego Morwe & Gladys Witbooi	Executive and Council	Owner is a Municipal Employee	Speaker's Drive and Secretary of Municipal	-
Caren Jo Couture (Pty)Ltd	Theys JJ	Community Services	Husband	Director Community Development	-
Green Tag Recycling Waste Management	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	25 950.00
Tsantsabane Recycling Waste Management and Civil (Pty) Ltd	M Daniels	Mayor's Office	Owner is a Municipality Councillor	Councillor	1,270,087.00

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

50.6 Entities under the control of management or councillors

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

51. CONTINGENT LIABILITIES

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

51.1 Court Proceedings:

21,858,405 21,858,405

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(i) Breach of Contract:

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

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

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

	11,188,405	11,188,405
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The case is pending and till date no judgement has been handed down. The municipality's lawyers indicated that the prospects on the merits favour the municipality. The claim is for R 10,788,404.75 with additional costs and disbursements of +- R 400,000 which might arise in relation to the case. The outcome of the matter is still uncertain.

52. CONTINGENT ASSETS

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

53. IN-KIND DONATIONS AND ASSISTANCE

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

Description / Donor	Reference / Nature / Project	Value	Value
Cash Contributions:			
Kolomela Mine	Note 24.3.9 Donations in Cash	<u>3,132,658</u>	<u>2,384,683</u>
Capital Contributions:			
Assmang Iron Ore (Beeshoek)	Note 8 Security Installations at Pump Stations	-	1,597,531
Kolomela Mine	Corrective Maintenance Wastewater Treatment Plant	986,239	-
Kolomela Mine	Upgrading of Infrastructure at Show Grounds	175,394	-
Kolomela Mine	Repairs to Sewer Pump Stations	-	2,452,511
Kolomela Mine	Upgrade Maremane Boreholes	-	1,280,168
Kuma Iron Ore	Construction of New Road	-	6,294,574
		<u>1,161,633</u>	<u>11,624,785</u>
In-kind Contributions (Operational Expenses):			
Assmang Iron Ore (Beeshoek)	Covid-19 Public Areas Sanitising	468,342	-
Assmang Iron Ore (Beeshoek)	Operational Assistance Landfill Sites	-	1,265,687
Kolomela Mine	Corrective Maintenance Wastewater Treatment Plant	918,408	-
Kolomela Mine	Maintenance of Landfill Sites	2,116,500	-
Kolomela Mine	Upgrading of Infrastructure at Show Grounds	227,669	31,000
Kolomela Mine	Repairs to Sewer Pump Stations	-	355,184
Kolomela Mine	Rental of Water Truck	1,304,049	-
Lesedi Power Project	Covid-19 Infection Control	14,452	-
PMG Mining (Pty) Ltd	Covid-19 Awareness Campaign	232,800	-
PMG Mining (Pty) Ltd	Madiba Month Drive 2019	88,347	-
PMG Mining (Pty) Ltd	Madiba Month Drive 2020	232,348	-
PMG Mining (Pty) Ltd	Materials - Hand Sanitisers	217,391	-
PMG Mining (Pty) Ltd	Rehabilitation of Roads	350,000	-
PMG Mining (Pty) Ltd	School Campaign	29,559	-
		<u>6,199,865</u>	<u>1,651,871</u>
Total Donations and In-kind Assistance Received		<u>10,494,156</u>	<u>15,661,339</u>

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

54. PRIVATE PUBLIC PARTNERSHIPS

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

55. COMPARATIVE FIGURES

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

56. EVENTS AFTER THE REPORTING DATE

56.1 National State of Disaster issued for the COVID-19 Pandemic:

A national state of disaster was declared on 15 March 2020 under the Disaster Management Act (Act No 57 of 2002) as result of the COVID-19 pandemic.

56.2 Submission of Annual Financial Statements:

Sections 126(1) and (2), 127(1) and (2), 129(1) and 133(2) of the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003) states that the Accounting Officers for municipalities and municipal entities must submit financial statements within two months after the end of the financial year to the Auditor-General for auditing.

An exemption from the sections included the MFMA was issued in Government Gazette number 43582. This stated that the institution must comply with two months after the deadline in the applicable section.

This resulted in the date of submission of the financial statements being moved to 31 October 2020 (the previous statutory submission date being 31 August 2020). GRAP 14 on Events after the Reporting Date are all events, both favourable and unfavourable, that occur between the reporting date (30 June 2020) and the date when the financial statements are authorised for issue (two months after the financial statements were issued to the auditors). The period between the reporting date and the date on which the financial statements are authorised for issue, is thus extended due to the exemption provided above.

56.3 2020/21 Adjustments Budget:

The 2020 National Supplementary Budget was delivered by the Minister of Finance in Parliament on the 24th of June 2020. The 2020 Supplementary Budget responds to the Covid-19 pandemic and its impact on the economy. This include the R20 billion allocation for local government announced by the President to assist in funding COVID-19 expenditure. This allocation consists of R11 billion added to the local government equitable share and just over R9 billion that was repurposed for the provision of water and sanitation and for sanitising public transport facilities within existing grant allocations to local government. In terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Section 23(3) of the municipal Budget and Reporting Requirements (MBRR), municipalities must adjust their 2020/21 MTREF budgets to account for revised funding allocations that were made available.

The municipality used this adjustments budget to reprioritise the 2020/21 budget to respond to the impact of the COVID-19 pandemic on the budget.

The following adjustments to Grant Funding were received:

	2020/21 Main Allocation	Adjustments	2020/21 Adjusted Allocation
	R	R	R
Equitable Share	42,497,000	6,028,000	48,525,000
Integrated National Electrification Programme Grant	1,800,000	(1,800,000)	-
Municipal Systems Improvement Grant	1,600,000	(265,000)	1,335,000
Northern Cape Arts and Cultural Council	1,395,000	(127,000)	1,268,000
Total Adjustments to Grant Funding		<u>3,836,000</u>	

57. GOING CONCERN ASSESSMENT

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

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

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(i) On 23 June 2020 Council adopted the 2020/21 to 2022/23 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), fund the elementary operations of the Municipality to support the ongoing delivery of municipal services to residents, reflected that the Budget was cash-backed over the three-year period.

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

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

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

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

58. COVID-19 EXPENDITURE

Background Information

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

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

COVID-19 in South Africa

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

Thus, there will not be any prior year information regarding expenditure in lieu of COVID-19.

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

COVID-19 EXPENDITURE

	2020 R	2019 R
Capital Expenditure		
Machinery and Equipment	20,160	-
Total Capital Expenditure	<u>20,160</u>	<u>-</u>
Operating Expenditure		
Employee Related Costs - Protective Clothing	17,400	-
Contracted Services - Outsourced: Hygiene Services	468,342	-
Inventory Consumed - Consumables	282,172	-
Operating Leases - Machinery an Equipment	94,960	-
Total Operating Expenditure	<u>862,874</u>	<u>-</u>
Total COVID-19 Expenditure	<u>883,034</u>	<u>-</u>

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

COVID-19 FUNDING

	2020 R	2019 R
Funding Sources for COVID-19 Expenditure		
Disaster Management Grant	89,000	-
Public Contributions	750,514	-

TSANTSABANE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Own Revenue	43,520	-
Total Funding for COVID-19 Expenditure	<u>883,034</u>	<u>-</u>

APPENDIX A
TSANTSABANE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at	Received during	Redeemed/	Balance at	Balance at 30 June 2021	Redemption for 2020/21	Payable 6 months	6-12 months	1 - 2 years	2-5 years
					30 June 2019	the Period	Written Off during Period	30 June 2020						
	R				R	R	R	R						
CAPITAL LEASE LIABILITIES														
Kwane Capital (Pty) Ltd (Kwane Fleet)	8,886,996	9.25%		28/02/2018	293,160	-	-	293,160	0.00	293,160.10	293,160.10			
VETA investments (smart meters)	14,168,685	24.00%		Not fixed	8,773,222	1,521,451	3,349,444	6,945,229	1,262,506.46	5,682,722.37	2,672,760.26	3,009,962.17	1,262,506.47	
Sanpaul Trading Enterprise (fleet)	9,426,420	12.00%		28/02/2022	7,518,790		2,496,723	5,022,067	2,009,374.70	3,012,691.93	1,335,693.00	1,368,950.26	2,841,005.23	1,973,141.15
Total Capital Lease Liabilities	34,611,795				16,585,172	1,521,451	5,846,167	12,260,456	3,271,881.16	8,988,574.40	4,301,613.36	4,378,912.43	4,103,511.70	1,973,141.15
TOTAL EXTERNAL LOANS	37,312,205				16,585,172	1,521,451	5,846,167	12,260,456	3,271,881.16	8,988,574.40				

APPENDIX F
TSANTSABANE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	16,265,000	1,067,000	14,538,000	-	16,265,000	1,067,000	14,538,000	-	-	7,167,000	-	-	Underspending of conditional grants	Yes	N/A
FMG	Nat Treasury	2,880,000	-	-	-	2,132,285	151,911	73,827	521,977	-	-	-	-	N/A	Yes	N/A
MIG Projects	MIG	818,000	5,479,000	9,245,000	-	2,007,373	5,413,068	2,689,726	1,078,094	-	-	-	-	N/A	Yes	N/A
INEP	Nat Treasury	-	2,000,000	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A
WSIG	Nat Treasury	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	N/A
EPWP Incentive Grant	Province	283,000	509,000	338,000	-	344,727	627,133	158,139	-	-	-	-	-	N/A	Yes	N/A
Disaster Relief Grant	Nat Treasury	-	-	-	89,000	-	-	-	89,000	-	-	-	-	N/A	Yes	N/A
LG SETA Mandatory Grant	Province	-	49,469	60,179	29,425	-	139,074	-	-	-	-	-	-	N/A	Yes	N/A
Library	Province	-	597,000	597,000	-	331,437	331,437	331,437	331,437	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received		20,246,000	9,701,469	24,778,179	118,425,08	21,080,822	7,729,623	17,791,129	2,020,508	-	7,167,000	-	-			

**APPENDIX G
TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2020

Incumbent	Basic	Annual	Other	Transport	Cellphone	Housing	Any	Total
	R	R	R	R	R	R	R	R
Mayor								-
M Mashila (Ward 6)	581,297		9,768	193,766	40,800			825,631
Councillors								
EE Poto (Ward 1)	440,128		3,600	146,708	40,800			631,236
M Daniels (Ward 2)	183,960		3,600	61,320	40,800			289,680
EEJ Phete (Ward 3)	465,038		24,563	155,013	40,800			685,414
KD Modise (Ward 4)	183,960		3,600	61,320	40,800			289,680
IK Tshabane (Ward 5)	236,082		3,600	78,694	40,800			359,176
TJ Saulus (Ward 7)	183,960		7,661	61,320	40,800			293,741
AR Davids (Proportional)	183,960		3,600	61,320	40,800			289,680
AJ Ruiters (Proportional)	183,960		3,600	61,320	40,800			289,680
WC Julies (Proportional)	183,960		3,600	61,320	40,800			289,680
D Esau (Proportional)	183,960		26,531	61,320	40,800			312,611
JJ Swart (Proportional)	183,960		3,600	61,320	40,800			289,680
OM Mabilo (Proportional)	440,128		3,600	146,708	40,800			631,236
Total for Councillors	3,634,353	-	100,923	1,211,449	530,400	-	-	5,477,125
Municipal Manager								
H Mathobela	737,457		3,600	301,647	26,400	31,605		1,100,709
Acting Chief Financial Officer								
JB Moselelane (Acting from 1 August 2018 to July 2019)	140,585	29,636		15,951	1,000	1,816		188,987
Chief Financial Officer								
LR Coakley (Appointed from August 2019)	446,279		3,300	226,685	17,600	74,380		768,243
Director: Corporate Services								
IC Nkadamang	719,953		3,600	326,209	19,200	21,175		1,090,138
Acting Director: Technical Services								
BLK Botha (Acting from December 2018)	1,001,556	29,636		98,666	9,600	10,893		1,150,351
Director: Community Services								
JJ Theys	635,253		3,600	403,256	19,200	21,175		1,082,484
	3,681,082	59,272	14,100	1,372,414	93,000	161,044	-	5,380,912
Total for Management	7,315,435	59,272	115,023	2,583,863	623,400	161,044	-	10,858,037

30 June 2019

Incumbent	Basic Salaries	Annual Bonuses	Other Allowance	Travel Allowances	Cellphone Allowances	Housing Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R
Mayor								
M Daniels (Ward 2) (From July 2018 to	403,058		6,370	134,352	27,200			570,980
M Mashila (Ward 6) (From March 2019 till	193,766		3,704	64,589	13,600			275,658
Councillors								
EE Poto (Ward 1)	440,126		3,600	146,708	40,800			631,234
M Daniels (Ward 2)	61,320		4,762	20,440	13,600			100,122
EEJ Phete (Ward 3)	477,459		18,191	166,092	40,800			702,542
KD Modise (Ward 4)	183,960		3,600	61,320	40,800			289,680
IK Tshabane (Ward 5)	223,553		11,662	74,518	40,800			350,532
M Mashila (Ward 6)	122,640		2,400	40,880	27,200			193,120
TJ Saulus (Ward 7)	183,960		11,143	61,320	40,800			297,223
AR Davids (Proportional)	183,960		3,600	61,320	40,800			289,680
AJ Ruiters (Proportional)	183,960		11,143	66,158	40,800			302,061
WC Julies (Proportional)	183,960		3,600	61,320	40,800			289,680
D Esau (Proportional)	183,960		21,288	63,384	40,800			309,431

APPENDIX G
TSANTSABANE LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

JJ Swart (Proportional)	183,960		3,600	61,320	40,800			289,680
OM Mabilo (Proportional)	436,021		3,600	145,340	40,800			625,760
Total for Councillors	3,645,663	-	112,263	1,229,061	530,400	-	-	5,517,384
Municipal Manager								
H Mathobela	784,069		3,600	297,688	26,400	32,799		1,144,556
Acting Chief Financial Officer								
A Kooverjee (July 2018)	57,010	28,505	300	24,704	1,600	1,765	80,139	194,023
JB Moselelane (Acting from 1 August 2018)	897,563			98,868	5,500	9,432		1,011,363
Director: Corporate Services								
IC Nkadimang	779,587		3,600	326,216	19,200	21,175		1,149,778
Director: Technical Services								
MC Links	42,387		600	67,054	3,200	3,529	36,097	152,867
BLK Botha (Acting from December 2018)	581,140			67,829	5,600	5,967		660,536
Ditrector: Community Services								
JJ Theys	635,650		3,600	403,853	19,200	21,175		1,083,478
Total for Senior Managers	3,777,406	28,505	11,700	1,286,212	80,700	95,842	116,236	5,396,601
Total for Management	7,423,069	28,505	123,963	2,515,273	611,100	95,842	116,236	10,913,985