



Fetakgomo Tubatse Local Municipality
(Registration number Lim 476)
Annual Financial Statements
for the year ended 30 June 2021
Auditor General South Africa

Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Annual Financial Statements for the year ended 30 June 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Municipality
Councillors list	EXECUTIVE COMMITTEE
The Mayor	Cllr Mamekoa RS
The Chief Whip	Cllr Shoba MV
	MEMBERS OF EXCO
	Cllr Maila EE-Head of Infrastructure Development & Technical Services
	Cllr Mojalefa LH-Head of Development and Planning
	Cllr Mamogale MI Head of Budget & Treasury (Deceased)
	Cllr Moeng QM-Head of Budget & Treasury
	Cllr Pholwane MB-Head of Corporate Services
	Cllr Mashego RM-Head of Community Services (part time)
	Cllr Hlatshwayo BE-Head of Local Economic Development & Tourism (part time)
	Cllr Mogofe A-Deputy Head of Corporate Services (part time)
	Cllr Kupa RB-Deputy Head of Budget & Treasury (part time)
	Cllr Kgwedi- Deputy Head of Infrastructure Development & Technical Services (part time)
	SPEAKER
	Cllr Phala TN
	MPAC CHAIRPERSON
	Cllr Mphethi ND
	OTHER COUCILLORS
	Cllr Phokane MJ
	Cllr Maphanga TP
	Cllr Gumede RT
	Cllr Mojalefa LH
	Cllr Makhubedu NR
	Cllr Mabelane MM
	Cllr Makine MP
	Cllr Randingwana MR
	Cllr Kgaphola LA
	Cllr Khoza MR
	Cllr Malakane OA
	Cllr Mahlaba LM
	Cllr Magane MT
	Cllr Mahlake TV
	Cllr Moshwane XE (Deceased)
	Cllr Mokgalala PF
	Cllr Mphethi MM
	Cllr Malomane KH
	Cllr Lekwadi MI
	Cllr Mokgotho LL
	Cllr Mamogale MF
	Cllr Malatji ML
	Cllr Maphakge RA
	Cllr Mosoma SE

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General Information

Cllr Makua LC
Cllr Rantho LJ
Cllr Molapo NT
Cllr Mariri ML
Cllr Thobejane ML
Cllr Mohlala SG
Cllr Maisela RP
Cllr Ratsoma MJ
Cllr Moifo KH
Cllr Makua MJ
Cllr Mashabela MN
Cllr Diphofa DK
Cllr Ngwatla TJ
Cllr Mahlakwana ME
Cllr Malapane SS
Cllr Makofane IT
Cllr Mashile MD
Cllr Mogoane MK
Cllr Mogane SP
Cllr Makola JV
Cllr Mnisi HD
Cllr Mamokgopa LD
Cllr Madire ND
Cllr Radingwane TM
Cllr Mokgalaka CR
Cllr Mphogo K
Cllr Mohlala BJ
Cllr Molapo TI
Cllr Thwala CS
Cllr Mafokane NN
Cllr Mohubedu PS
Cllr Riba MR
Cllr Selepe ME
Cllr Maruga TT
Cllr Shaku SR
Cllr Kgoete MJ
Cllr Mnisi FG
Cllr Moropana TA
Cllr Lewele MB
Cllr Mdluli V
Cllr Thobela KML

Grading of local authority

Grade 4

Chief Finance Officer (CFO)

Makgata MJ

Accounting Officer

Phala NW

Registered office

Fetakgomo Tubatse Local Municipality
1 Kastania Street
Burgersfort

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General Information

Business address	1 Kastania Street Burgersfort 1150
Postal address	P. O. Box 206 Burgersfort 1150
Bankers	Standard Bank Burgersfort
Auditors	Auditor General South Africa
Municipality number	Lim 476
Attorneys	Noko Maimela Incorporated Verveen Attorneys Mphokane Attorneys Machaba Inc ML Matema Inc Kgolisha a Mamabolo Kgororeadira Mudau Mmakola Attorneys Rachoene Attorneys Mahowa Inc

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

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved accounting officer on 31 August 2021 and were signed on its behalf by:

Phala NW
Municipal Manager

Fetakgomo Tubatse Local Municipality

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Audit Committee Report

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Audit Committee Report



Report of the Auditor General

To the Provincial Legislature of Fetakgomo Tubatse Local Municipality

Auditor General South Africa

Fetakgomo Tubatse Local Municipality

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The Municipality is engaged in local service delivery as enshrined in the Constitution of the Republic of South Africa with its core functions and primary revenue sources being collection of property rates and taxes and refuse collection. It operates principally in Burgersfort, South Africa.

Net surplus of the municipality was R 165 554 195 (2020: surplus R 141 264 639).

2. Going concern

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

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

3. Subsequent events

Refer to the Events After Balance Sheet note.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The Accounting Officer of the municipality during the 12 months and to the date of this report is as follows:

Name	Nationality	Changes
Phala NW	RSA	Appointed on 01 August 2020
Gabaganenwe L (Acted for one month)	RSA	Appointed on 1 July 2020

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Accounting Officer's Report

6. Corporate governance

General

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

Councillors

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
 - Mayor
 - Speaker
 - Chief Whip
 - Councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and Mayor perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit Committee meetings

The Audit Committee has met on 10 separate occasions during the financial year. The Audit Committee schedules to meet at least 4 times per annum.

Audit committee

During the period the audit committee was composed as follows:

1. Adv Tebogo Martin Malatji (Chairperson of the Audit and Performance Committee)
2. Mr Siyakhula Simelane (Chairperson of the Risk Committee)
3. Mr Joseph Nakedi Mpjane (Member of the Audit and Performance Committee)
4. Mr Choene Charles Semenya (Member of the Audit and Performance Committee)
5. Mr Suren Maharaj (appointed from 1 April 2021)
6. Mr Mpaku Goodwill Mathabathe (appointed from 1 April 2021).

Internal audit

The municipality had its own internal audit function for the financial year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

7. Bankers

The municipality banks primarily with Standard Bank.

8. Auditors

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

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Accounting Officer's Report

Phala NW
Municipal Manager

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Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	9	43 218 202	725 143
Receivables from exchange transactions	10	69 241	172 006
Receivables from non-exchange transactions	11	17 568 880	1 527 272
VAT receivable	12	26 033 480	10 282 719
Prepayments	8	5 645 758	-
Consumer debtors from exchange transactions	13&14	13 214 980	13 650 898
Consumer debtors from non exchange transactions	13&14	36 103 635	53 846 578
Cash and cash equivalents	15	298 160 587	213 390 220
		440 014 763	293 594 836
Non-Current Assets			
Investment property	3	58 250 000	61 650 000
Property, plant and equipment	4	2 380 449 006	2 312 537 131
Intangible assets	5	171 568	117 419
Heritage assets	6	1 068 300	1 068 300
		2 439 938 874	2 375 372 850
Non-Current Assets		2 439 938 874	2 375 372 850
Current Assets		440 014 763	293 594 836
Total Assets		2 879 953 637	2 668 967 686
Liabilities			
Current Liabilities			
Borrowings	18	-	10 478 789
Finance lease obligation	16	30 429 919	-
Payables from exchange transactions	20	108 702 888	96 335 838
Employee benefit obligation	7	1 877 096	1 167 658
Unspent conditional grants and receipts	17	77 213 638	119 183 212
Provisions	19	19 949 288	17 241 256
		238 172 829	244 406 753
Non-Current Liabilities			
Finance lease obligation	16	49 818 724	-
Employee benefit obligation	7	29 934 477	25 905 364
Provisions	19	9 933 839	12 115 990
		89 687 040	38 021 354
Non-Current Liabilities		89 687 040	38 021 354
Current Liabilities		238 172 829	244 406 753
Total Liabilities		327 859 869	282 428 107
Assets		2 879 953 637	2 668 967 686
Liabilities		(327 859 869)	(282 428 107)
Net Assets		2 552 093 768	2 386 539 579
Accumulated surplus		2 552 093 769	2 386 539 579

* See Note 51 & 50

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	22 878 460	21 779 434
Rental of community offices and facilities	22	248 090	309 318
Interest charged	24	6 211 388	6 534 811
Licences and permits	26	9 399 035	6 975 455
Fees earned	28	400 572	265 877
Discount received	28	122 083	-
Other income	29	16 357 368	394 084
Interest received - investment	30	7 098 623	9 951 565
Total revenue from exchange transactions		62 715 619	46 210 544
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	109 905 103	112 127 606
Property rates - interest on outstanding debtors	31	14 515 726	26 040 611
Transfer revenue			
Government grants & subsidies	33	661 508 575	520 584 357
Public contributions and donations	34	5 028 779	-
Traffic fines	23	624 450	1 905 550
Other Revenue			
Fair value adjustments	43	27 028 400	17 470 000
Total revenue from non-exchange transactions		818 611 033	678 128 124
		62 715 619	46 210 544
		818 611 033	678 128 124
Total revenue		881 326 652	724 338 668
Expenditure			
Employee related costs	35	(194 797 530)	(184 965 344)
Remuneration of councillors	36	(33 603 065)	(31 961 761)
Depreciation and amortisation	37	(102 177 046)	(106 506 561)
Impairment losses/reversal of impairment	38	(12 504 072)	(1 666 330)
Finance costs	39	(3 963 495)	(797 715)
Lease rentals on operating lease	27	(14 669 114)	(18 456 091)
Debt Impairment / (Reversal of Impairment)	40	(77 629 681)	(94 638 522)
Contracted services	41	(163 737 445)	(94 075 179)
Transfers and Subsidies	32	(8 069 078)	(7 667 075)
Loss on disposal of assets		(3 220 808)	(1 726 114)
General Expenses	42	(101 401 123)	(40 613 337)
Total expenditure		(715 772 457)	(583 074 029)
		-	-
Total revenue		881 326 652	724 338 668
Total expenditure		(715 772 457)	(583 074 029)
Operating surplus		165 554 195	141 264 639

The accounting policies on pages 20 to 49 and the notes on pages 51 to 109 form an integral part of the annual financial statements.

* See Note 51 & 50

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 203 181 322	2 203 181 322
Adjustments		
Correction of errors (Refer to Notes 50 and 51)	42 093 618	42 093 618
Balance at 01 July 2019 as restated*	2 245 274 940	2 245 274 940
Changes in net assets		
Surplus for the year	141 264 639	141 264 639
Total changes	141 264 639	141 264 639
Restated* Balance at 01 July 2020	2 386 539 574	2 386 539 574
Changes in net assets		
Surplus for the year	165 554 195	165 554 195
Total changes	165 554 195	165 554 195
Balance at 30 June 2021	2 552 093 769	2 552 093 769

Note(s)

* See Note 51 & 50

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		164 440 191	176 332 748
Government Grant and subsidies		641 939 000	503 034 514
Interest income		7 098 623	9 951 565
		813 477 814	689 318 827
Payments			
Employee costs		(228 400 595)	(216 927 105)
Suppliers		(321 650 544)	(232 595 422)
Finance costs		(1 021 277)	(797 715)
		(551 072 416)	(450 320 242)
Total receipts		813 477 814	689 318 827
Total payments		(551 072 416)	(450 320 242)
Net cash flows from operating activities	45	262 405 398	238 998 585
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(124 055 107)	(93 723 857)
Purchase of other intangible assets	5	(92 500)	-
Proceeds from sale of other intangible assets	5	-	30 232
Net cash flows from investing activities		(124 147 607)	(93 693 625)
Cash flows from financing activities			
Repayment of borrowings		(10 467 934)	(2 007 455)
Finance lease payments-Capital portion		(14 436 785)	-
Finance lease payments-Interest portion		(3 104 882)	-
Operating lease repayments		(25 477 824)	(25 055 556)
Net cash flows from financing activities		(53 487 424)	(27 063 009)
Net increase/(decrease) in cash and cash equivalents		84 770 367	118 241 951
Cash and cash equivalents at the beginning of the year		213 390 220	95 148 269
Cash and cash equivalents at the end of the year	15	298 160 587	213 390 220

* See Note 51 & 50

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Comparison of Budget and Actual Amounts						
Revenue						
Revenue						
Service charges	25 697 082	224 383	25 921 465	22 878 460	(3 043 005)	N1
Rental of community offices and facilities	426 518	(145 359)	281 159	248 090	(33 069)	N2
Interest received (trading)	6 179 096	-	6 179 096	6 211 388	32 292	Immaterial (less than 10%)
Licences and permits	21 509 589	629	21 510 218	9 399 035	(12 111 183)	N3
Fees earned	788 923	-	788 923	400 572	(388 351)	N4
Discount received	-	-	-	122 083	122 083	N5
Other income	3 057 069	977 059	4 034 128	16 357 368	12 323 240	N6
Interest received - investment	10 485 867	-	10 485 867	7 098 623	(3 387 244)	N7
Total revenue from exchange transactions	68 144 144	1 056 712	69 200 856	62 715 619	(6 485 237)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	121 787 196	-	121 787 196	109 905 103	(11 882 093)	Immaterial (less than 10%)
Property rates - interest on outstanding debtors	28 749 667	-	28 749 667	14 515 726	(14 233 941)	N8
Transfer revenue						
Government grants & subsidies	579 909 299	122 246 056	702 155 355	661 508 575	(40 646 780)	N9
Public contributions and donations	-	-	-	5 028 779	5 028 779	N10
Fines, Penalties and Forfeits	3 419 303	-	3 419 303	624 450	(2 794 853)	N11
Fair value adjustments	-	-	-	27 028 400	27 028 400	N12
Total revenue from non-exchange transactions	733 865 465	122 246 056	856 111 521	818 611 033	(37 500 488)	
'Total revenue from exchange transactions'	68 144 144	1 056 712	69 200 856	62 715 619	(6 485 237)	
'Total revenue from non-exchange transactions'	733 865 465	122 246 056	856 111 521	818 611 033	(37 500 488)	
Total revenue	802 009 609	123 302 768	925 312 377	881 326 652	(43 985 725)	
Expenditure						
Personnel	(209 827 492)	4 564 941	(205 262 551)	(194 797 530)	10 465 021	Immaterial (less than 10%)
Remuneration of councillors	(35 684 835)	4 480 000	(31 204 835)	(33 603 065)	(2 398 230)	Immaterial (less than 10%)
Depreciation and amortisation	(89 677 202)	(1)	(89 677 203)	(102 177 046)	(12 499 843)	N13
Impairment loss/ Reversal of impairments	-	-	-	(12 504 072)	(12 504 072)	N14

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Finance costs	(954 967)	(400 000)	(1 354 967)	(3 963 495)	(2 608 528)	N15
Lease rentals on operating lease	(23 156 000)	9 406 281	(13 749 719)	(14 669 114)	(919 395)	Immaterial (less than 10%)
Debt impairment	(41 688 529)	-	(41 688 529)	(77 629 681)	(35 941 152)	N16
Contracted Services	(130 001 647)	(73 579 257)	(203 580 904)	(163 737 445)	39 843 459	N17
Transfers and subsidies	(6 270 000)	(2 853 000)	(9 123 000)	(8 069 078)	1 053 922	N18
General expenses	(70 310 568)	(6 882 221)	(77 192 789)	(101 401 123)	(24 208 334)	N19
Total expenditure	(607 571 240)	(65 263 257)	(672 834 497)	(712 551 649)	(39 717 152)	
	802 009 609	123 302 768	925 312 377	881 326 652	(43 985 725)	
	(607 571 240)	(65 263 257)	(672 834 497)	(712 551 649)	(39 717 152)	
Operating surplus	194 438 369	58 039 511	252 477 880	168 775 003	(83 702 877)	
Loss on disposal of assets	-	-	-	(3 220 808)	(3 220 808)	
	194 438 369	58 039 511	252 477 880	168 775 003	(83 702 877)	
	-	-	-	(3 220 808)	(3 220 808)	
Surplus	194 438 369	58 039 511	252 477 880	165 554 195	(86 923 685)	
Surplus/(Deficit) for the period	194 438 369	58 039 511	252 477 880	165 554 195	(86 923 685)	
	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	194 438 369	58 039 511	252 477 880	165 554 195	(86 923 685)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

N1 - Service Charges

The service charges was under-billed due to correction of billing since the previous billing was overstated. Included in the service charges budget were properties on non - rateable areas which were written off as per council approved policy.

N2 - Rental of facilities and equipment

Non utilisation of facilities due to COVID lockdown restrictions.

N3 - Licenses and permits

The construction of praktiseer Licencing services resulted in an under collection of licences and permits. The completion of the Traffic Station was disrupted due to the pandemic. The station was previously the largest contributor on licensing and permitting income.

N4 - Fees earned

The revenue stream for fees earned was overstated as compared to the current year collection.

N5 - Discount Received

5% Discount received for early payment of 2021/22 SALGA membership fees.

N6 - Other Income

The revenue stream underperformed due to the due to the current economic recession due to COVID 19 restrictions.

N7 - Interest Received-Investment

The variance emanates from the decreased interest rate due to the current economic recession.

N8 - Property rates - Interest on outstanding debtors

There was under-performance due to COVID 19 incentive rebates introduced for customers.

N9 - Government grants and subsidies

The variance on Grants and subsidies were as a result of unspent conditional grants on Municipal Infrastructure grant. The main reasons for non-spending on MIG were that two projects were under litigations and were put on hold..

N10 - Public contributions and donations

This is due to Mobile Testing Station and Faw Horse Truck donated by RTMC which were unbudgeted for.

N11 - Fines, penalties and forfeits

The Traffic fines revenue underperformed due to the current fines operating environment with the COVID pandemic.

N12 - Fair value adjustments

Fair value adjustments were not budgeted for in the 2021 budget. The actual amount is in respect of fair value gains on valuation of land and investment propeties.

N13 - Depreciation and amortisation

Variance is due to under-budgeting for non-cash items.

N14 - Impairment loss/Reversal of impairments

Impairment loss was not budgeted for in the 2021 budget. The 2021 actual impairment loss expense was raised after physical verification of assets was concluded.

N15 - Finance Costs

Savings were realised due to correct recognition of the lease liability arising from purchase of the Civic Centre.

N16 - Debt impairment

The overspending was due to correction of billing to exclude non-rateable and correct application of GRAP 104 provisions during calculation of debt impairment.

N17 - Contracted services

The saving on contracted services was due to implementation of financial management and cost containment measures

N18 - Transfers and subsidies

The budget of free basic electricity was overstated as a result of trend of payments during the 2nd quarter.

N19 - General Expenses

The overspending is mainly due to the Eskom electrification projects that were completed and transferred to general expenses in the year under review.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Reasons for Adjustments to the Approved Budget	Approved budget	Adjustments	Final budget		Reason for adjustment	
Revenue						
Service charges	25 697 082	224 383	25 921 465		Increased because of an anticipation of collection due to the traffic station which was supposed to be completed.	
Rental of community offices and facilities	426 518	(145 359)	281 159		Reduced because of limited operations of facilities due to COVID 19.	
Other income	3 057 069	977 059	4 034 128		Adjusted because of an under budget.	
Government grants & subsidies	579 909 299	122 246 056	702 155 355		Increased because of an additional equitable share allocation due to COVID 19.	
Expenditure						
Employee related costs	(209 827 492)	4 564 941	(205 262 551)		Employee related costs was decreased due to delay in appointment of unfilled posts which was only budgeted for two months before the end of the financial year.	
Remuneration of councillors	(35 684 835)	4 480 000	(31 204 835)		Adjusted because the budget was over budgeted on items such as legal fees, security services, refuse removal services etc.	
Finance costs	(954 967)	(400 000)	(1 354 967)		Adjusted upwards to take into account the unwinding costs on repayment of DBSA loans.	
Lease rentals on operating lease	(23 156 000)	9 406 281	(13 749 719)		Adjusted downwards as the municipality was in negotiations to purchase the municipality building which resulted in a decrease in the operating lease rental expense.	
Contracted services	(130 001 647)	(73 579 257)	(203 580 904)		Adjusted because the budget was over budgeted on items such as legal fees, security services, refuse removal services etc.	
Transfers and subsidies	(6 270 000)	(2 853 000)	(9 123 000)		Adjusted upwards to cover for the outstanding invoices to Eskom.	
other expenditure	(70 310 568)	(6 882 221)	(77 192 789)		Adjusted because of an under budget and they were outstanding invoices to be paid.	
Subtotal	132 884 459	58 038 883	190 923 342			-
	132 884 459	58 038 883	190 923 342			

Fetakgomo Tubatse Local Municipality

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Traffic Debtors

The traffic fines will be impaired when the probability of collecting the outstanding amount is uncertain. The traffic fine shall be assessed "in each reporting period" individually to determine the recoverability rate of the amount collected and thereafter determine percentage for provision to be made based on the calculation recoverability rate. The provision for doubtful debts on traffic fines will be informed by the recoverability rate.

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1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment of Consumer and other receivables

The calculation in respect of the impairment of debtors is based on the municipality's approved policy on calculation of doubtful debts. In accordance with GRAP 104 (Financial Instruments), an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance. The determination of the impairment loss is guided by the following principles as per GRAP 104. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. (Individual Debtors' balances that constitute at least 5 percent of the total debtors book are considered to be individually significant by the municipality).

Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The method used in determining the group of assets to be assessed for impairment, is a grading process that considers the:

- Debtor type
- Industry
- Past due status (e.g. days/months that the accounts are in arrears)

Consumer debtors are evaluated at the end of the reporting date and impaired as follows:

a) Timing of Assessment

The Municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

b) Evidence of Impairment

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired:

- Indigent accounts;
- Inactive accounts;
- Accounts handed over to debt collectors and/or power of attorney, and not yet recovered at year-end.
- All accounts with balances outstanding 270 days and longer as these accounts are considered to be past due.

c) Calculation and Recognition of Impairment Loss

1. The impairment loss is calculated as the difference between the carrying value at reporting date less the present value of expected future cash flows:

Carrying Amount at reporting Date - Present Value of Future Expected Cashflows = Impairment Loss

2. The carrying amount (Expected Future Cash Flows) at reporting date is calculated as follows:

Gross carrying amount Less debtors to be impaired 100% (Indigent debtors, Handed over Debtors, Debtors with balances 270 days and longer)

) The Discount Rate used is derived from the policy (prime plus 1%), average for the financial year.

4) The Expected Repayment Term is 30 days (derived from the policy).

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

The cost of defined benefit pension contribution plans and other employment medical benefits is determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in note 8.

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.3 Investment property

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

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

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

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

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

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

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

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Accounting Policies

1.3 Investment property (continued)

Fair value

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

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

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

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	3-30 years
Other Infrastructure Assets	Straight line	
• Refuse		20-50 years
• Buildings		20-100 years
Infrastructure - Electricity	Straight line	
• Highmast lights		15-30 years
• Meters		15-25 years
• Load Control Equipment		20-30 years
• Switchgear Equipment		20-30 years
• Supply/Reticulation		20-30 years
• Mains		20-30 years
Infrastructure - Roads	Straight line	
• Motorways		15-30 years
• Other Roads		10-30 years
• Traffic Signage and Markings		2-10 years
• Traffic Lights		5-25 years
• Street Lighting		10-30 years
• Overhead Bridges		10-30 years
• Stormwater Drains		10-30 years
• Bridges, Subways and Culverts		10-30 years
• Carparks		10-20 years
• Bus Terminals		5-20 years
• Roads and Stormwater		5-150 years
Community Assets-Buildings	Straight line	
• Cemeteries		3-30 years
• Community Centres/halls		10-30 years
• Traffic Stations		5-30 years
• Indoor Sports Stadiums		10-30 years
• Parks		5-30 years
• Recreation Centres		5-30 years
• Stadiums		5-30 years
• Taxi Ranks		10-30 years
• Office Buildings		5-30 years
Community Assets-Recreational Assets	Straight line	
• Netball/Tennis Courts		5-20 years
• Swimming Pool		5-20 years
• Golf Course		5-20 years
• Outdoor Sports Facilities		5-20 years
• Fountains		5-25 years
• Floodlighting		5-30 years

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1.4 Property, plant and equipment (continued)

Community Assets-Security Measures	Straight line	
• Fencing		3-10 years
• Security Systems		3-15 years
• Access Control		3-15 years
Computer Equipment	Straight line	
• Computer Hardware		3-25 years
• Computer Software		3-25 years
• Computer Printers		3-25 years
• Routers/Access Points		3-15 years
• Barcode Scanner		3-25 years
Other property, plant and equipment	Straight line	
• Other assets		3-40 years
• Landfill Sites		20-100 years
Office Equipment	Straight line	
• Office Machines		3-25 years
• Air Conditioners		3-30 years
• Photocopy Machines		3-25 years
• Faxes		3-15 years
• Safe		4-50 years
• Paper Shredder		3-25 years
• Dust bins		4-40 years
• Fridge/fridge with dispensers		5-25 years
Furniture and Fittings	Straight line	
• Chairs		4-25 years
• Tables		4-25 years
• Desk		4-25 years
• Cabinets		4-25 years
• Cupboards		4-25 years
• Fire Cabinets		4-25 years
• Miscellaneous (including suggestion boxes)		3-25 years
Plant and Equipment	Straight line	
• Graders		5-25 years
• Tractors		5-25 years
• Mechanical Horses		5-25 years
• Lawnmowers		2-15 years
• Brush Cutters		2-15 years
• Compressors		2-15 years
• Radio Equipment		3-15 years
• Firearms		5-50 years
• Telecommunication Equipment		5-15 years
• Tippers		5-25 years
• Other Office Equipment		2-30 years
• Refuse Tankers		5-25 years
• Emergency Equipment		4-25 years
Bins and Containers	Straight line	
• Bulk Containers		3-20 years
Motor Vehicles	Straight line	
• Fire Engines		5-25 years
• Motor Vehicles		3-25 years
• Motor Cycles		5-25 years
• Trucks		5-25 years
Other Assets	Straight line	
• Other Assets		3-40 years
• Landfill Sites		20-100 years
• Quarries		20-100 years
Intangible Assets	Straight line	
• Computer Software, Other		3-25 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life, (Depreciation per day).

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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1.5 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-25 years

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

Intangible assets are derecognised:

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

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

1.6 Heritage assets

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

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

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

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

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

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Accounting Policies

1.6 Heritage assets (continued)

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

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

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

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

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

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

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

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Accounting Policies

1.6 Heritage assets (continued)

Impairment

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

Transfers

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

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

Derecognition

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

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

1.7 Financial instruments

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.7 Financial instruments (continued)

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.7 Financial instruments (continued)

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors from exchange transactions	Financial asset measured at amortised cost
Consumer debtors from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

1.8 Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank, cash on hand and short-term investments."

1.9 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

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1.9 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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1.11 Value-Added Tax (VAT)

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

The municipality recognises VAT on the accrual basis and declares it to SARS on a cash basis.

Revenue, expenses and assets are recognised net of the amounts of value added tax (VAT) measured in terms of the VAT Act except:

- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- Receivables and payables that are stated with the amount VAT included.

Where recoverable VAT amount (input VAT) exceeds payable VAT amount (output VAT), the municipality recognises VAT receivable. In case where output VAT exceeds input VAT, the municipality recognises VAT payable.

VAT receivable is an asset and creates a statutory receivable as defined in GRAP 108 - Statutory receivables.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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1.13 Impairment of non-cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.14 Employee benefits

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

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1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

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Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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1.15 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating surplus (deficit).

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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

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

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

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

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

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

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

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1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue

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

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1.17 Revenue (continued)

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

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

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

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

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

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

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

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1.18 Service charges

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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1.18 Service charges (continued)

Measurement

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

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

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 Fruitless and wasteful expenditure

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

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

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Accounting Policies

1.23 Irregular expenditure

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

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

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

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

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

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance

1.25 Segment information

A segment is an activity of an entity:

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

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

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1.25 Segment information (continued)

Measurement

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

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

1.26 Conditional grants and receipts

Revenue received from 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

1.28 Related parties

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

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

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

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

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

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

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Accounting Policies

1.28 Related parties (continued)

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

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

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

1.29 Events after reporting date

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

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

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

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

1.30 Prior period error

Errors are corrected 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 would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

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1.31 Accounting by Principals and Agents

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

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

Principal-agent arrangement

The Constitution of the Republic of South Africa, 1996 (the Constitution), sets out the various responsibilities of government, and assigns activities to various spheres of government or to particular types of entities. Supporting legislation within each sphere of government sets out the mandate, authority, roles and responsibilities of specific entities in undertaking the activities outlined in the Constitution. In many cases, this legislation results in the establishment of separate entities to undertake these activities. It is however not feasible to establish separate entities in all instances, and it may be more efficient and effective to utilise other entities to undertake certain activities. As a result, entities frequently have certain activities executed by another entity, or undertake activities on behalf of other entities. The ultimate responsibility, however, for the various activities still rests with the entities identified in legislation.

Where these arrangements exist, it is important to identify which entity should account for the transactions arising from these activities, and what resulting revenue, expenses, assets and/or liabilities should be recognised. Examples of typical arrangements where one entity undertakes activities on behalf of another entity in the public sector may include:

- The collection of revenue, including taxes, fees and other charges from specific parties, e.g. motor vehicle licence fees collected by municipalities for the provincial government, and taxes collected by the Revenue Authority for the national government.
- The construction of assets, e.g. houses built for beneficiaries of the reconstruction and development programme, for national and/or provincial housing departments and organisations.
- The provision of goods and services to recipients, e.g. the provision of water to specific communities by municipalities on behalf of water service authorities.

Property management services, which may include the maintenance of properties and collection of revenue, for the Department of Public Works and/or municipalities.

Service concession arrangements may be an example of a principal-agent arrangement as one party (the operator, which is usually a private sector entity) carries out certain activities on behalf of the other entity (the grantor, which is usually a public sector entity) in relation to third parties (the public). An entity should assess whether a principal-agent arrangement exists, and whether it is a principal or an agent in such an arrangement using this Standard.

When an entity directs another entity to undertake an activity on its behalf, it must consider whether it is a party to a principal-agent arrangement. The definition of a principal-agent arrangement refers to an entity acting on behalf of another entity in relation to transactions with third parties. In the absence of transactions with third parties, the arrangement is not a principal-agent arrangement, and the entity then acts in another capacity rather than as an agent. This type of assessment may be particularly relevant to the following two scenarios that are often encountered in the public sector:

- (a) Entities, particularly national and provincial departments, are often asked to collect money from public entities or other agencies and to subsequently deposit the money into the relevant revenue fund. In these arrangements, although the departments seemingly undertake activities on behalf of the revenue fund, there is no specific direction given by the revenue fund in relation to the transactions with third parties. As a result, such arrangements may not meet the definition of a principal-agent arrangement.
- (b) The structure and operation of the public sector means that entities frequently control other entities in accordance with the Standard of GRAP on Consolidated Financial Statements (GRAP 35). Although these control relationships mean that the controlling entity is able to direct the activities of an entity so that it benefits from those activities, these relationships by themselves do not indicate the existence of a principal-agent arrangement. Only where a controlling entity specifically directs a controlled entity to undertake transactions with third parties for its benefit will a principal-agent arrangement exist. In control relationships, it is possible for one or more principal-agent arrangements to exist within the context of a control relationship.

“Transactions with third parties” in the context of this Standard includes the execution of a specific transaction with a third party, e.g. a sale or purchase transaction, but it also includes interactions with third parties, e.g. when an agent is able to negotiate with third parties on the principal’s behalf. The nature of the transactions with third parties is linked to the type of

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Accounting Policies

1.31 Accounting by Principals and Agents (continued)

activities carried out by the agent in accordance with the binding arrangement. These activities could include the agent transacting with third parties for the procurement or disposal of resources, or the receipt resources from a third party on behalf of the principal.

Principal-agent arrangements usually exist as a result of a binding arrangement between the parties to the arrangement. It is unlikely that an entity would undertake activities on behalf of another entity in the absence of a binding arrangement as the arrangement imposes rights and obligations on the parties to perform in a particular manner.

Where no binding arrangement exists, it is assumed that the entity is acting for itself, rather than on behalf of another entity. As a result, no principal-agent arrangement exists in the absence of a binding arrangement.

Presentation

Where assets and liabilities are recognised, in accordance with other Standards of GRAP by an agent in respect of those transactions that it undertakes on behalf of its principal, it is inappropriate to offset the assets and liabilities recognised, unless another Standard of GRAP permits the offsetting of such amounts.

Disclosure

An entity that is a party to a principal-agent arrangement shall disclose:

- (a) a description of the arrangement, including the transactions undertaken;
- (b) whether the entity is the principal or agent and any significant judgement applied in making this assessment;
- (c) significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and
- (d) an explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.

Disclosure by agents

An entity that is the agent in a principal-agent arrangement shall disclose the following in the notes to the financial statements:

- (a) a description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent's own financial statements. Such disclosure shall include:
 - (i) the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and
 - (ii) risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal;
- (b) the aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and
- (c) a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

An agent shall disclose information in the notes to the financial statements about the revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement. An agent shall disclose:

- (a) The category of revenue received or to be received, as well as the category of expenses paid or accrued on behalf of the principal.
- (b) The amount of revenue received or to be received, as well as the amount of expenses paid or accrued on behalf of the principal during the reporting period per category of revenue or expense.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	The impact is not material.
<ul style="list-style-type: none">IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	The impact is not material.
<ul style="list-style-type: none">Directive 7 (revised): The Application of Deemed Cost	01 April 2020	The impact is not material.
<ul style="list-style-type: none">GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	The impact is not material.
<ul style="list-style-type: none">GRAP 108: Statutory Receivables	01 April 2019	The impact is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	01 April 2099	Impact is currently being assessed
<ul style="list-style-type: none">Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Impact is currently being assessed
<ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Impact is currently being assessed

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3. Investment property

	2021			2020		
	Fair value	Accumulated impairment	Fair value less impairments	Fair value	Accumulated impairment	Fair value less impairments
Investment property	58 250 000	-	58 250 000	61 650 000	-	61 650 000

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	61 650 000	(8 550 000)	5 150 000	58 250 000

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	44 180 000	17 470 000	61 650 000

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

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3. Investment property (continued)

The fair values of investment property as measured or disclosed in the financial statements are based on a valuation by Stefan Rudman, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. He is a member of the Institute of Valuers of South Africa, Registration number 3693/05.

The determination of fair values was supported by market evidence, the location, type and condition of the property (land). The type of property, the zoning of the property, the location of the property, the highest and best use of the property and the size of the property are some of the factors that were taken into consideration when deciding on a correct valuation method. These are 3 basic valuation methods that were used in the valuation:

1) Direct Sales Comparison Approach

With this approach, consideration is made for sales of similar properties and related market data by comparing the recent sales information.

2) Income Capitalization Approach

This method entails the determination of the Net Annual Income for the subject property, which is then capitalized at an appropriate market related capitalization rate.

General industry practice is considered because of the nature of certain properties or lack of comparable market data.

Investment Property transferred to Land Inventory

Farm Portion KT 443 valued at R8 550 000 was transferred to Land Inventory following council resolution to reallocate the land for business/residential purposes.

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4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	219 604 375	-	219 604 375	231 791 952	-	231 791 952
Buildings	185 348 805	(26 704 312)	158 644 493	60 091 663	(22 073 933)	38 017 730
Plant and machinery	30 608 132	(4 446 926)	26 161 206	25 044 370	-	25 044 370
Furniture and fixtures	9 906 354	(5 728 108)	4 178 246	9 413 349	(5 079 189)	4 334 160
Motor vehicles	10 424 947	(6 651 058)	3 773 889	10 424 947	(5 386 515)	5 038 432
Office equipment	2 979 625	(750 100)	2 229 525	2 563 328	(331 417)	2 231 911
IT equipment	11 941 884	(8 068 512)	3 873 372	11 381 724	(6 396 413)	4 985 311
Infrastructure	2 518 318 440	(826 762 289)	1 691 556 151	2 481 518 809	(734 301 692)	1 747 217 117
Community	188 549 110	(36 639 490)	151 909 620	150 312 553	(29 615 689)	120 696 864
Work In Progress	116 900 058	-	116 900 058	131 581 407	-	131 581 407
Other assets	1 900 368	(282 297)	1 618 071	1 597 877	-	1 597 877
Total	3 296 482 098	(916 033 092)	2 380 449 006	3 115 721 979	(803 184 848)	2 312 537 131

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposal	Changes in Landfill Provision	Transfers	Transfers to Expenses	Depreciation	Impairment loss	Total
Land	231 791 952	2 280 000	-	(2 722 367)	(11 745 210)	-	-	-	219 604 375
Buildings	38 017 730	125 272 179	-	-	-	-	(4 645 416)	-	158 644 493
Plant and machinery	25 044 370	5 569 186	-	-	-	-	(4 452 350)	-	26 161 206
Furniture and fittings	4 334 160	493 005	-	-	-	-	(648 919)	-	4 178 246
Motor vehicles	5 038 432	-	-	-	-	-	(1 264 543)	-	3 773 889
Office equipment	2 231 911	460 283	-	-	-	-	(462 669)	-	2 229 525
Computer equipment	4 985 311	560 160	-	-	-	-	(1 672 099)	-	3 873 372
Infrastructure	1 747 217 117	2 549 836	(3 220 808)	-	39 185 685	-	(81 671 607)	(12 504 072)	1 691 556 151
Community assets	120 696 864	47 321	-	-	38 204 230	-	(7 038 795)	-	151 909 620
Work in progress	131 581 407	97 364 346	-	-	(77 389 915)	(34 655 780)	-	-	116 900 058
Other assets	1 597 877	302 491	-	-	-	-	(282 297)	-	1 618 071
	2 312 537 131	234 898 807	(3 220 808)	(2 722 367)	(11 745 210)	(34 655 780)	(102 138 695)	(12 504 072)	2 380 449 006

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Prior Period Adjustment	Transfers	Reclassifications Prior year adjustments	Reclassifications	Depreciation	Impairment loss	Total
Land	179 080 240	-	-	52 711 712	-	-	-	-	-	231 791 952
Buildings	40 770 232	-	-	-	-	(20 887)	(548 419)	(2 183 196)	-	38 017 730
Plant and machinery	29 388 766	-	-	1 599	-	5 334	-	(4 351 329)	-	25 044 370
Furniture and fittings	5 694 086	133 377	(8 263)	466 075	-	(1 192 863)	-	(758 252)	-	4 334 160
Motor vehicles	5 206 418	698 400	(34 695)	382 291	-	-	-	(1 213 982)	-	5 038 432
Office equipment	1 105 742	89 890	(14 005)	215 937	-	1 073 891	-	(239 544)	-	2 231 911
Computer equipment	5 400 337	727 173	(130 556)	76 273	-	313 971	-	(1 401 887)	-	4 985 311
Infrastructure	1 795 435 135	7 535 162	(1 648 984)	9 186 123	26 984 699	(18 336)	(713 007)	(89 543 675)	-	1 747 217 117
Community assets	99 662 522	-	-	12 209 799	14 843 456	39 223	1 261 426	(5 653 232)	(1 666 330)	120 696 864
Work in progress	110 653 083	84 539 859	-	(21 618 467)	(41 828 155)	-	-	-	(164 913)	131 581 407
Other assets	1 893 663	-	(20 168)	219 772	-	(200 333)	-	(295 057)	-	1 597 877
	2 274 290 224	93 723 861	(1 856 671)	53 851 114	-	-	-	(105 640 154)	(1 831 243)	2 312 537 131

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4. Property, plant and equipment (continued)

Determination of the Fair Value of the Office Civic Centre

Included in Buildings is the Office Civic Centre.

Basis of the Valuation

GRAP 13 Leases:

At the inception of the lease the present value of the minimum lease payments amounts is at least substantially all of the fair value of the leased asset;

At the beginning of the lease term, i.e. commencement date, the lessee should recognise the leased asset as an asset and the lease commitment as a liability in the statement of financial position. The leased asset should be recognised at lower of:

- the fair value of the leased property; and
- the present value of the future minimum lease payments.

The present value of the future minimum lease payments is discounted at the interest rate implicit in the lease, which can usually be calculated from the information provided in the contract. If it is not possible to calculate the rate implicit in the lease, then the entity uses its incremental borrowing rate (i.e. entity / government lending rate)

Interest Rate Used

The municipality used the government lending rate of 7% per Annum, as it is not possible to calculate the rate implicit in the lease.

Present value of minimum lease payments(As per finance lease Amortisation Schedule)	R125 561 263
Fair value(Independent Valuer Report)	R136 000 000

The present value of the future minimum lease payments is lower than the Fair Value of the Leased Property, therefore the property is recognised at the Value of R125 561 262.73 in the Financial Statements

Commencement date

The commencement date is the same as the inception date as the municipality was already using the property at inception date.

The commencement date is the date the Deeds of Sale Agreement was signed off: 10 December 2020

Land transferred to Land inventory

Farm Portion KT with the value of R7 450 000 and other land valued at R459 338 was transferred to Land Inventory following Council Resolution to change the use of land for residential purposes and business purposes.

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4. Property, plant and equipment (continued)

Details of properties

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	IT Equipment	Total
Opening balance	87 388 568	73 196 065	-	160 584 633
Additions/capital expenditure	73 418 129	18 799 715	5 146 500	97 364 344
Transfers to PPE	(39 185 685)	(47 441 357)	-	(86 627 042)
Transfers to Expenses	(54 421 880)	-	-	(54 421 880)
	67 199 132	44 554 423	5 146 500	116 900 055

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	45 855 258	64 797 825	110 653 083
Additions	58 566 529	25 973 328	84 539 857
Transfers to PPE	(26 984 699)	(14 843 456)	(41 828 155)
Transfers to Expenses	(164 913)	-	(164 913)
Prior Period Error Adjustments	10 116 393	(2 731 632)	7 384 761
	87 388 568	73 196 065	160 584 633

WIP projects taking long to complete

Included in the Work in Progress are projects that are taking significantly longer period to complete than expected with a carrying value of R61,119,764 (2020: R74,046,106). The delays in completion were due to non-availability of adequate funding however these projects are not impaired.

Details

	Carrying Value at 30 June 2021	Carrying Value at 30 June 2020
Ga-Matodi Sports Complex (Community Assets) - Delayed Completion	32 201 176	21 259 738
Makuwa Library (Community Assets)- No movement in 2020/21 and Delayed Completion	1 026 428	1 026 428
Praktiseer Library(Community Assets)- No movement in 2020/21 and delayed completion	1 073 403	1 073 403
Mataganeng Access Bridge (Infrastructure)- Contractor appointment delayed	1 704 038	1 177 566
Community hall internal street Ga-Debeila to Mohlaletsi Internal Street (Infrastructure)-Contractor appointment delayed	1 004 207	1 004 207
Construction Mashung Internal Street (Infrastructure)-Contractor appointment delayed	5 085 964	648 524
Strydkraal Internal Street-Tribal Halls(Infrastrucure)- Delayed Completion	2 697 390	2 060 682
Construction of Burgersfort Landfill Site (Infrastructure)- Contractor appointment delayed	582 071	582 071
Highmast Phase 2 (Infrastrucure)- Delayed Completion	15 745 086	13 023 108
	61 119 764	41 855 728

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4. Property, plant and equipment (continued)

Details of properties

IGRAP 18 DISCLOSURE ON LAND NOT RECOGNISED BY THE MUNICIPALITY

Municipalities shared and continue to share responsibility with provinces for the release of land for housing development, land use planning, and land use and building control. In terms of this responsibility, the Department of Human Settlement identified and repatriated land owned by the municipality to fulfil its mandate with respect to the delivery of houses. The location of the land is mainly farms in the following suburbs: Burgersfort in Mecklenburg, Burgersfort, Steel-port, Prakteseer Ohrigstad and Apel. Whilst the municipality has legal title to the land, it does not recognise the land because from the date of repatriation, the Department of Human Settlements is responsible for the subdivision, planning and urban development and the subsequent allocation of the built houses to beneficiaries. The Municipality has no right to control the land and is not involved in key decision making with respect to the use of this land.

In addition, several stands owned by the municipality in Mecklenburg, Burgersfort, Steel-port, Prakteseer, Ohrigstad and Apel has been illegally occupied and permanent structures put up by the invaders. Although the land is legally owned by the municipality, the municipality has no right to control as it cannot (a) directly use the land's future economic benefits or service potential to provide services to beneficiaries; (b) exchange, dispose of, or transfer the land; and/or (c) use the land in any other way to generate future economic benefits or service potential. The municipality therefore does not recognize such land in its financial statements as it does not have control over it.

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

Land which Municipality has no control

Land with the value of R26,485,460 at 30 June 2021 were not included in the Land Register since the Municipality has no control.

Private residents have built their houses on the land and steps are being undertaken by the Municipality to alienate the land. Alienation in Fetakgomo will be undertaken once bulk services have been provided. Mecklenburg formalisation is yet to be undertaken.

Area	Cost R
Mecklenburg A	14,523,000
Mecklenburg B	10,390,000
Fetakgomo ext3	187,404
Fetakgomo ext4	102,596
Fetakgomo ext5	1,134,959
Fetakgomo ext7	147,501
TOTAL	26,485,460

Properties which Municipality has no Control

Burgersfort Properties R14,370,000

Properties with the fair value of R14,370,000 at 30 June 2021 were not included in the register because the municipality has no control.

Moveable Assets not found on the floor

During physical inspection and conditional assessment of moveable assets, Items with Net book value of R42,435.85 Were not found on the floor . These assets were derecognised from the asset register and transferred to the assets gains/loss listing and recognised as losses in the current year pending investigations over a period of one year.

Maintenance of Property, Plant and Equipment

Included in General Expenses and Contracted Services costs are the following repairs and maintenance costs for maintenance of Property Plant and Equipment:

	2021 R	2020 R
Amount paid to Service Providers	16,768,648	39,813,646

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5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	348 493	(176 925)	171 568	255 993	(138 574)	117 419

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Intangible assets	117 419	92 500	(38 351)	171 568

Reconciliation of intangible assets - 2020

	Opening balance	Accumulated Amortisation	Total
Intangible assets	147 651	(30 232)	117 419

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6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	1 068 300	-	1 068 300	1 068 300	-	1 068 300

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	1 068 300	1 068 300

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	1 068 300	1 068 300

Heritage assets consist of the mayoral chains from the former Fetakgomo and former Tubatse Local Municipalities, and are carried at deemed cost.

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7. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(18 408 198)	(20 040 262)
Current Service Cost	(1 614 868)	(1 894 712)
Interest Cost	(2 672 874)	(2 167 465)
Benefits paid	176 593	164 033
Actuarial gains	1 868 984	5 530 208
	(20 650 363)	(18 408 198)
Non-current liabilities	(20 461 040)	(18 231 605)
Current liabilities	(189 323)	(176 593)
	(20 650 363)	(18 408 198)
Net expense recognised in the statement of financial performance		
Current service cost	1 614 868	1 894 712
Interest cost	2 672 874	2 167 465
Actuarial (gains) losses	(1 868 984)	(5 530 208)
	2 418 758	(1 468 031)
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(1 868 984)	(5 530 208)
LONG SERVICE AWARDS		
Present value of the defined benefit obligation-wholly unfunded	(8 664 825)	(8 241 665)
Current service cost	(662 676)	(631 146)
Interest cost	(669 882)	(831 711)
Benefit paid	991 065	504 255
Actuarial (gains) losses	(2 154 893)	535 443
	(11 161 211)	(8 664 824)
Net expense recognised in the statement of financial performance		
Service cost	662 676	631 146
Interest cost	669 882	831 711
Actuarial (gains) losses	2 154 893	(535 443)
	3 487 451	927 414
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	535 443	(169 551)
Non-current liabilities	(9 473 438)	(7 673 759)
Current liabilities	(1 687 773)	(991 065)
	(11 161 211)	(8 664 824)

Fetakgomo Tubatse Local Municipality

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7. Employee benefit obligations (continued)

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position.

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Fetakgomo is committed to paying subsidies broadly as follows:

- All new continuation pensioners (that are currently still in service) and their dependants will receive a 60% subsidy subject to the maximum (CAP) amount of R4,773.12 (per month per member) for the financial period from 1 July 2020.
- All existing continuation pensioners and their dependants will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R4,492.35 (per month per member) from 1 July 2020. That said, there are two continuation pensioners who receive a 100% subsidy.
- We have assumed that the subsidy would increase by 50% of long term CPI.

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7. Employee benefit obligations (continued)

Key assumptions used

POST RETIREMENT MEDICAL AID PLAN

Valuation method

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25:

Assumptions used at the reporting date:

Discount rates used	12,35 %	14,59 %
	7,58 %	9,35 %
	9,08 %	10,85 %
	3,00 %	3,37 %

It is the relative levels of the discount rate and health care cost inflation to one another that is important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more durationspecific. The discount rate was set by taking the average yields from the zero-coupon SA Government bond curve with a duration of between 16.91 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 12.35% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.43% per annum, implying an underlying expectation of inflation of 7.58% per annum ($[1 + 12.35\%] / [1 + 4.43\%] - 1$).

A healthcare cost inflation rate of 9.08% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 300% per annum ($[1 + 12.35\%] / [1 + 9.08\%] - 1$). This year's valuation basis is, therefore, stronger than the previous year's basis from a discount rate perspective.

Demographic and decrement assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	Active employees	Pensioners
Normal retirement age	65	-
Fully accrued age (to take account for ill-health and early retirement decrements)	63	-
Employment age used for past service period	Actual service entry ages	Actual service entry ages
Age difference between spouses	5 years	Actual ages used
Proportion married	90% assumed married at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90)

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7. Employee benefit obligations (continued)

Withdrawal rates

We used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Age	Withdrawal rates
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55+	0%

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7. Employee benefit obligations (continued)

Continuation percentages

We have assumed a continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

LONG SERVICE AWARDS

Fetakgomo Tubatse Local Municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. Below are the benefits awarded to qualifying employees.

Completed service (Years)	Long Service Bonus Awards (% of Annual Salary)
10	4.0%
15	8.0%
20,25, 30, 35, 40, 45	12.0%

NB: A day of accumulated leave is worth 1/250 of the annual salary.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. FTLM advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Valuation method

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

VALUATION ASSUMPTIONS

Net discount rate

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	30-Jun-2020	30-Jun-2021
Discount rate	8,2%	8,02%
CPI	3,64%	5,02%
Salary increase rate	4,64%	6,02%
Net Discount Rate	3,40%	1,89%

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2020 the duration of liabilities was 5.78 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 8.02% per annum, and the yield on inflation-linked bonds of a similar term was about 2,86% per annum. This implies an underlying expectation of inflation of 5,02% per annum $([1 + 8.02\%] / [1 + 2,86\%] - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6,02% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.40% per annum $([1 + 8.20\%] / [1 + 4.64\%] - 1)$.

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7. Employee benefit obligations (continued)

8. Prepayments

Prepayments	5 645 758	-
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Prepayments comprise of the following:

SALGA annual membership fees for the 2021-22 financial year	R2,441,661	
Caseware software licence	R29,098	
Munsoft software licence	R700,000	
LCS Technology software licence	R2,475,000	

9. Inventories

Consumables	1 044 591	725 143
Land inventory	42 173 611	-
	43 218 202	725 143

Inventories 2021	Opening balance	Purchases during the year	Expensed during the year	Transfers (land)	Fair Value	Total
Consumables	725 143	961 609	(642 161)	-	-	1 044 591
Land Inventory	-	-	-	20 295 211	21 878 400	42 173 611
Subtotal	725 143	961 609	(642 161)	20 295 211	21 878 400	43 218 202
	725 143	961 609	(642 161)	20 295 211	21 878 400	43 218 202

Inventories 2020

Inventories 2020	Opening balance	Purchases during the year	Expensed during the year	Total
Consumables	372 822	994 415	(642 094)	725 143

Land Inventory

1. Land properties with a total value of R20,319,338 were transferred from Land(R11,769,338) and from Investment Property (R8,550,000). The transfer was authorised by the council for the purposes of the development of the land for residential and business purposes.

2. Farm Mooifontein kt 313 Portion 97(Burgersfort Ext 93) was transferred from land at cost of R3,860,000. Due to township development the land was subdivided into residential stands and revalued to a total value of R25,738,400. The fair value of the ervens was determined by an independent appraiser.

10. Receivables from exchange transactions

Other receivables	57 994	-
Staff debtors	11 247	172 006
	69 241	172 006

Impairment of Other Receivables

Opening Balance - Gross	-	255 347
less contribution to allowance	-	(255 347)
Net balance	-	-

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10. Receivables from exchange transactions (continued)		
	-	-
Total receivables from exchange transactions	69 241	172 006
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(255 347)	-
Utilisation of provision (write-off)	255 347	-
	-	-
11. Receivables from non-exchange transactions		
Traffic Fines	399 707	376 257
Other receivables	17 169 173	1 151 015
	17 568 880	1 527 272

Receivables from non-exchange transactions pledged as security

None of the Receivables from non-exchange transactions pledged as security were pledged as security.

Recoverable portion of VBS Investments

Included in Other Receivables is R16,100,000 that the municipality was allocated by the Liquidator in the First Liquidation and Distribution Account which is a portion of R 158 563 495.51, which is the free residue of the total Estate which the liquidator has been able to recover from the liquidated VBS Bank to date.

Statutory receivables non-exchange transactions (Traffic fines)

The two types of traffic fines that are issued are:

- Fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).
- Fines issued in terms of the Criminal Procedures Act.

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

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11. Receivables from non-exchange transactions (continued)		
Age analysis (Traffic fines)		
Previous - 30 days	27 450	55 500
31-60 DAYS	64 100	43 400
61-90 DAYS	24 700	105 700
91-120 DAYS	48 050	101 900
121-365 DAYS	368 850	1 484 495
>365 DAYS	376 257	410 287
Less: Allowance for impairment	(509 700)	(1 825 025)
	399 707	376 257
Collectability of Traffic fines recognised at the reporting date		
Amounts past due	881 957	2 145 781
Amounts impaired	(509 700)	(1 825 025)
	372 257	320 756
Impairment of Traffic Fines Debtors		
Opening Balance - Gross	909 407	2 201 282
less contribution to allowance	(509 700)	(1 825 025)
	399 707	376 257
Indicators and assumptions in assessment of Impairment of Traffic Fines Debtors		
The municipality considers events and circumstances such as discounts, tickets withdrawn or cancelled and tickets paid to determine the impairment loss on traffic receivables at year end. Amounts that are past due after taking into account these events and circumstances are considered to be impaired.		
Assessment of Impairment of Traffic Fines Debtors		
In assessing and calculating whether traffic fines were impaired during the reporting period, the municipality considers any discounts, tickets withdrawn or cancelled and tickets paid to determine the amount outstanding at year-end. The impairment loss is based on the calculated recoverability rate at year end.		
All traffic fines that were past due at year end were impaired.		
Impairment of Other Receivables		
Opening Balance - Gross	1 069 173	5 507 856
less contribution to allowance	-	(122 068)
Prior year adjustments	-	(4 234 773)
	1 069 173	1 151 015
	-	-
Reconciliation of allowance for impairment		
Opening Balance - Gross	(1 947 093)	-
Contribution to allowance-Other receivables	-	(122 068)
Utilised (Council write-off)-Other receivables	122 068	-
Contribution to allowance-Traffi fines debtors	(509 700)	(1 825 025)
	(2 334 725)	(1 947 093)

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Figures in Rand	2021	2020
12. VAT receivable		
VAT	26 033 480	10 282 719
13. Consumer debtors		
Gross balances		
Rates	234 254 901	210 572 544
Refuse	95 689 045	81 440 841
Other	111 522 040	88 704 403
	441 465 986	380 717 788
Less: Allowance for impairment		
Rates	(210 832 097)	(178 728 333)
Refuse	(82 474 064)	(67 789 943)
Other	(98 841 213)	(66 702 041)
	(392 147 374)	(313 220 317)
Net balance		
Rates	23 422 804	31 844 211
Refuse	13 214 980	13 650 898
Other	12 680 828	22 002 361
	49 318 612	67 497 470
Included in above is Consumer debtors from exchange transactions		
Refuse	13 214 980	13 650 898
Included in above is Consumer debtors from non-exchange transactions (rates and taxes)		
Rates	23 422 804	31 844 211
Other	12 680 828	22 002 361
	36 103 632	53 846 572
Net balance	49 318 612	67 497 470
Rates		
Current (0 -30 days)	13 370 047	12 971 294
31 - 60 days	4 881 124	4 657 420
61 - 90 days	4 507 480	4 227 694
91 - 120 days	3 889 482	3 997 879
121 - 365 days	36 501 640	39 657 539
> 365 days	171 105 128	145 060 718
	234 254 901	210 572 544
Refuse		
Current (0 -30 days)	3 683 875	3 830 485
31 - 60 days	1 500 339	1 590 583
61 - 90 days	1 482 414	1 561 292
91 - 120 days	1 468 299	1 515 263
121 - 365 days	11 178 926	11 618 142
> 365 days	76 375 192	61 325 076
	95 689 045	81 440 841

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Figures in Rand	2021	2020
13. Consumer debtors (continued)		
Other		
Current (0 -30 days)	4 644 059	5 343 430
31 - 60 days	2 056 891	2 584 092
61 - 90 days	2 148 790	3 197 777
91 - 120 days	2 133 251	3 230 937
121 - 365 days	18 081 704	23 039 963
> 365 days	82 457 345	51 308 204
	111 522 040	88 704 403
Reconciliation of allowance for impairment		
Balance at beginning of the year	(313 220 316)	(358 274 695)
Contributions to allowance	(78 927 057)	(94 873 443)
Invalid debtors reversed against allowance	-	139 927 822
	(392 147 373)	(313 220 316)
Consumer debtors pledged as security		
None of the consumer debtors were pledged as security.		
14. Consumer debtors by customer group		
Gross balances		
Consumer debtors - Indigent	-	236 309
Consumer debtors - Government	91 996 871	218 358 142
Consumer debtors - Farms	26 659 495	24 315 196
Consumer debtors - Domestic	205 028 653	176 759 522
Consumer debtors - Churches	74 883	64 625
Consumer debtors - Business	114 629 615	90 776 024
Consumer debtors - Sundry	2 931 214	9 831 462
	441 320 731	520 341 280
Indigent		
Current (0 -30 days)	-	10 866
31 - 60 days	-	5 424
61 - 90 days	-	5 684
91 - 120 days	-	5 648
121 - 365 days	-	43 704
> 365 days	-	164 984
	-	236 310
Government		
Current (0 -30 days)	2 343 850	3 441 422
31 - 60 days	946 690	1 735 252
61 - 90 days	730 455	1 790 244
91 - 120 days	692 515	1 789 470
121 - 365 days	18 091 886	22 875 979
> 365 days	69 191 476	186 725 775
	91 996 872	218 358 142

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Figures in Rand	2021	2020
14. Consumer debtors by customer group (continued)		
Farms		
Current (0 -30 days)	401 901	419 992
31 - 60 days	208 965	202 008
61 - 90 days	196 782	237 025
91 - 120 days	197 056	236 472
121 - 365 days	2 971 487	3 263 265
> 365 days	22 683 305	19 956 433
	26 659 496	24 315 195
Domestic		
Current (0 -30 days)	8 666 761	8 840 288
31 - 60 days	3 838 340	3 709 404
61 - 90 days	3 656 798	3 672 075
91 - 120 days	3 554 142	3 598 288
121 - 365 days	25 625 817	26 645 876
> 365 days	159 686 794	130 293 591
	205 028 652	176 759 522
Churches		
Current (0 -30 days)	2 949	2 351
31 - 60 days	1 059	699
61 - 90 days	1 055	766
91 - 120 days	1 050	763
121 - 365 days	5 920	5 904
> 365 days	62 850	54 142
	74 883	64 625
Business		
Current (0 -30 days)	9 858 805	9 547 159
31 - 60 days	3 409 771	3 156 660
61 - 90 days	3 474 897	3 251 321
91 - 120 days	2 943 981	3 042 296
121 - 365 days	18 534 037	21 034 866
> 365 days	76 408 124	58 380 415
	114 629 615	98 412 717
Sundry		
Current (0 -30 days)	278 462	146 022
31 - 60 days	33 529	22 648
61 - 90 days	78 698	29 648
91 - 120 days	102 287	71 142
121 - 365 days	533 121	446 051
> 365 days	1 905 117	1 479 258
	2 931 214	2 194 769
Reconciliation of allowance for impairment		
Balance at beginning of the year	(313 220 316)	(358 274 695)
Contributions to allowance	(78 927 057)	(94 873 443)
Debt impairment written off against allowance	-	139 927 822
	(392 147 373)	(313 220 316)

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Figures in Rand	2021	2020
15. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 116	-
Bank balances	76 732 292	72 740 951
Short-term investments (Call accounts)	221 425 179	140 649 269
	298 160 587	213 390 220

Additional Disclosure

FNB Main Bank Account #565-500-22466

1. Details of Pledged/Ceded balances are as follows:

PLEDGES/NOTICES/AUTHS 757,211.99 -

2. Collateral (Security) Description:

Cession of FirstRand Deposit/ Credit Balances - Amount: R65,400.60 - Date: 20-February-2014

3. Details of the total facility:

CONTINGENT BALANCE 59,400.60-

Standard Bank Account # 38578492001

1. Details of the facility

The municipality has a FLEET CARD amounting to R1 325 000.00.

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2021

2020

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
FNB BANK - CHEQUE ACCOUNT - 565-500-22466	24 072 191	13 183 822	23 127 692	12 266 354
FNB BANK - CALL ACCOUNT - 616-55000887	82 399	82 153	82 396	82 149
STANDARD BANK - CALL ACCOUNT - 38578492001	206 410 802	140 567 120	206 410 802	140 567 120
STANDARD BANK - CURRENT ACCOUNT - 330062891000	47 785 723	36 101 278	47 700 433	36 101 278
STANDARD BANK - CURRENT ACCOUNT - 30144841000	5 904 166	23 428 830	5 904 166	23 428 830
STANDARD BANK - CALL ACCOUNT - 38578492003	14 931 981	-	14 931 981	-
Total	299 187 262	213 363 203	298 157 470	212 445 731

VBS Investments

	2021	2020
Balance of VBS investments	227 156 998	243 256 998
less impairment of investments	(227 156 998)	(243 256 998)

Net Balance of VBS investments at year-end

- -

Reconciliation

	Opening balance	Amount recoverable - Transferred to Other Debtors	Amount recoverable - Provision utilised	Closing balance
Balance of VBS investments	243 256 998	(16 100 000)	-	227 156 998
Impairment of VBS investments	(243 256 998)	16 100 000	-	(227 156 998)
	-	-	-	-

Impairment of VBS Investments

Full provision was made for the investments in VBS due to the bank being put under curatorship on 11 March 2018 and the subsequent liquidation of the bank, which made the recoverability of the amounts invested highly unlikely at the time. The municipality appointed Verveen Attorneys to recover the VBS investments from the Liquidator.

The municipality assessed at the reporting date whether there is any indication that the impairment loss may no longer exist or may have decreased. The municipality was allocated R16,100,000 by the Liquidator in the First Liquidation and Distribution Account which is a portion of R 158 563 495.51, which is the free residue the of the total Estate which the liquidator has been able to recover from the liquidated VBS Bank to date. This amount was recognised as a receivable and the provision for Impairment of VBS investments was reduced with the recoverable amount of R16,100,000.

Should the municipality recover additional amounts of the investments from the legal action, the impairment loss recognised will be reversed with the value of the amount recovered.

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Figures in Rand	2021	2020
16. Finance lease obligation		
Minimum lease payments due		
- within one year	35 083 333	-
- in second to fifth year inclusive	52 625 000	-
	87 708 333	-
less: future finance charges	(7 459 691)	-
Present value of minimum lease payments	80 248 642	-
Present value of minimum lease payments due		
- within one year	30 429 919	-
- in second to fifth year inclusive	49 818 724	-
	80 248 643	-

The Municipality entered into a purchase agreement with Tubatse Properties (Pty) Ltd to acquire Portion 76(A portion of portion 11) Farm Mooifontein 313 KT. The Municipality paid a deposit of R50,000,000 and the remaining amount is payable over a period of 36 months effective 07 January 2021. By implication this purchase is a finance lease as per the provisions of GRAP 13 (Leases)

The minimum monthly fixed instalments is R2,923,611.11. Due to the nature of the municipality's Statement of Financial Position, an average rate of 7% per Annum, was used to calculate the rate implicit in the lease.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2021	2020
Municipal Infrastructure Grant	21 529 238	29 775 265
Integrated National Electrification Programme	39 493 953	53 596 349
Distressed Mining Town Grant	16 190 447	35 811 598
	77 213 638	119 183 212

See note 33 for reconciliation of grants from National/Provincial Government.

These amounts are ring-fenced.

18. Borrowings

At amortised cost

DBSA LOAN 102904/1&2	-	10 063 185
Interest is bearing at a rate of 10.415% per annum over a loan of 20 years for Loan 102904/1, and at a rate of 5% per annum over a loan of 20 years for Loan 102904/2.		
DBSA LOAN 13585/102	-	415 604
Loan 13585/102 - Interest is bearing at a rate of 5% per annum over a loan of 20 years.		

Total financial liabilities - **10 478 789**

Total other financial liabilities - **10 478 789**

The DBSA loan balance was repaid in full on 22 October 2020, hence the balance outstanding as at 30 June 2021 is RNil.

Current liabilities

At amortised cost	-	10 478 789
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Figures in Rand 2021 2020

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Interest Cost	Change in provision	Total
Landfill site rehabilitation	12 115 990	-	(56 690)	596 905	(2 722 366)	9 933 839
Leave accrual	17 241 256	2 708 032	-	-	-	19 949 288
	29 357 246	2 708 032	(56 690)	596 905	(2 722 366)	29 883 127

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Prior period error adjustment	Total
Landfill site rehabilitation	12 540 648	374 945	(564 497)	(235 106)	12 115 990
Leave accrual	13 819 469	3 421 787	-	-	17 241 256
	26 360 117	3 796 732	(564 497)	(235 106)	29 357 246

Non-current liabilities	9 933 839	12 115 990
Current liabilities	19 949 288	17 241 256
	29 883 127	29 357 246

Landfill site rehabilitation provision

The municipality has an obligation to rehabilitate its Burgersfort and Malogeng landfill sites in terms of the closure license referenced 12/4/10/8-A/14/S10 issued by the provincial Department of Economic Development, Environment & Tourism on 26 June 2019, and the permit referenced 12/9/11/P67 issued by the national Department of Environmental Affairs & Tourism on 14 January 2009, respectively.

The final decommissioning and rehabilitation of the landfill represents a present legal obligation as a result of past events (opening and operation of the landfills) and will certainly result in an outflow of economic resources (final decommissioning and rehabilitation costs).

The Fetakgomo Tubatse Municipality landfill site was closed in 2019 as it was full. R0 (2020 - 799,603) was spent towards the landfill rehabilitation and closure costs and the provision was utilised for this purpose. The closure cost provision is R4 061 356 (2020 -R4 061 356).

The Malogeng landfill site was donated by the Sekhukhune District Municipality to Fetakgomo Tubatse Municipality with the effective transfer date being 01 July 2018. The remaining useful life of the Landfil site is 19,5 years. The landfill rehabilitation and closure cost provision for this landfill site was determined by the actuaries to be R9 990 528 (2020 -R12 115 989) as at 30 June 2021.

The amount of the discounted landfill closure provision of R5,929,172 represents a decrease of R2,125,461 over the provision of R8,054,633 in the previous financial statements. The decrease in provision was due to increase in the assessed Landfill Site useful life from 9 years to 19,5 years.

The landfill closure provision is calculated as the net present value of future cash flows.

The interest charge is calculated as the product of the provision calculated in the previous year and the discount rate used in the previous year.

Assumptions Used

Unit costs

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Figures in Rand

2021

2020

19. Provisions (continued)

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation.

Consumer Price Index

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 4.8235%.

Discount Rate

As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

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

Effective Rate.	
Assumption	2021
CPI	4,8235%
Discount Rate	8,8235%
Net Effective Rate	4%

The estimated value of the rehabilitation cost of landfill sites has been determined as at 30 June 2021 by an independent expert, Mr Seakle Godschalk Pr Sci Nat, GIMFO. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions (SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists (SAIE&ES). He holds a Master's degree in Science as well as a Master's degree in Accounting. He is also a member of the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO). Seakle is a member of the Institute of Directors.

Leave Provision

This is in respect of leave days for employees that accrues at a rate of 2 days per month. At year-end any days accrued but not yet taken are provided for, as the municipality has an obligation to pay the value of the leave days should an employee leave the municipality.

While the value of the leave days due at year-end can be calculated, the timing of any outflows is uncertain as it is impossible to ascertain when an employee will leave the municipality in future.

There is no expected reimbursement, or any amount of any asset that has been recognised for any expected reimbursement in respect of the leave provision.

20. Payables from exchange transactions

Trade payables	49 231 900	54 586 411
Unallocated receipts	1 601 758	4 320 722
Accrued bonus	4 363 158	4 205 330
Retention creditors	24 288 596	23 868 026
Other payables	22 400 758	4 073 503
Consumer debtors in credit	6 816 718	5 281 846
	108 702 888	96 335 838

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Figures in Rand	2021	2020
21. Service charges		
Refuse removal - Own collection	20 905 670	20 965 279
Refuse removal - Private refuse removal	1 929 204	814 155
	22 834 874	21 779 434

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Figures in Rand 2021 2020

22. Rental of community offices and facilities

Premises

Premises	248 090	309 318
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23. Traffic Fines

Municipal Traffic Fines	624 450	1 905 550
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24. Interest charged

Interest charged	6 211 388	6 534 811
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Interest from service charges is calculated as a variable interest rate based on annual prime plus 1%.

25. Agency services

Licences and permits	9 399 035	6 975 455
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Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

The municipality is a party to an agreement between the municipality and the department of roads and transport to collect revenue licensing and permits. The municipality is entitled to 20% of the revenue collected.

The municipality is the agent.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R9,399,035 (2020: R6,975,455).

Liabilities and corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as liabilities are R1,105,128 (2020: R 3,766,229 for the Department of Roads and Transport).

26. Licences and permits (exchange)

Road and Transport	9 399 035	6 975 455
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27. Lease rentals on operating lease

Lease rentals on operating lease

Contractual amounts	14 669 114	18 456 091
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Included in the lease expenses are costs arising from lease agreements for:

1. Office equipment leased from 1 October 2019 for a period of 3 years at R142,552 (excl VAT) per month plus additional costs that vary upon usage of the equipment.

2. Lease of the office building from March 2018 for a period of 10 years. The contract expired on 30 June 2020 and the municipality leased the building on a month to month basis for 6 months until 31 December 2020. The month to month rental amount was R1,815,619,74 excl VAT.

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Figures in Rand	2021	2020
28. Other revenue		
Fees earned	400 572	265 877
Discount received	122 083	-
	522 655	265 877

Included in fees earned are fees from valuation services, issuing of clearance certificates, cemetery and burial and plan printing.

The Discount Received is in respect of the 5% discount for early payment of the 2021/22 SALGA membership fees.

29. Other income

Sundry Income	257 368	394 084
Recoverable VBS Investment	16 100 000	-
	16 357 368	394 084

Included in Other Incomes is R16,100,000 that the municipality was allocated by the Liquidator in the First Liquidation and Distribution Account which is a portion of R 158 563 495.51, which is the free residue the of the total Estate which the liquidator has been able to recover from the liquidated VBS Bank to date.

30. Investment revenue

Interest revenue		
Bank	7 098 623	9 951 565

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Figures in Rand	2021	2020
31. Property rates		
Rates levied		
Property rates	31 595 231	29 860 581
Business and Commercial	32 292 813	26 312 536
State and parastatals	1 157 751	9 754 179
Small holdings and farms	4 098 018	4 234 528
Industrial properties	5 366 244	5 346 536
Mining properties	38 947 097	40 031 582
Less: Income forgone	(3 552 051)	(3 412 336)
	109 905 103	112 127 606
Property rates - interest on outstanding debtors	14 515 726	26 040 611
	124 420 829	138 168 217
Valuations		
Residential	2 998 592 000	2 998 592 000
Commercial	2 254 530 000	2 254 530 000
Government	131 026 000	131 026 000
Municipal	88 713 000	88 713 000
Small holdings and farms	1 847 941 000	1 847 941 000
Schools	798 085 000	798 085 000
Mines	676 680 000	676 680 000
Churches	18 440 000	18 440 000
	8 814 007 000	8 814 007 000

The current valuation roll contractual period ended on 30 June 2021. The Municipality has requested the approval of the MEC to extend the validity period for the current valuation roll with two financial years up to 30th June 2023. The extended period will be from 1 July 2021 up to and including 30 June 2023.

The approval was granted by MEC of Cooperative Governance, Human Settlement and Traditional Affairs on the 14th June 2021. The request was made in terms of Section 32(2)(b) of the Municipal Property Rates Act, 2004 (Act 6 of 2004), as amended, which section allows a municipality to seek an extension of validity of valuation roll, under exceptional circumstances.

The Municipality has currently appointed a service provider for the maintenance of supplementary valuation on as and when basis in compliance with sect 38 Municipal Property Rates Act, 2004.

32. Transfers and subsidies

Other subsidies

Indigent Relief	8 069 078	7 667 075
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The municipality supports the registered indigents through the Equitable Share and is paid directly to Eskom or Solar Vision.

Fetakgomo Tubatse Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Government grants and subsidies		
Operating grants		
Equitable share	557 280 000	415 485 989
Expanded Public Works Program Grant	1 052 000	1 786 000
Finance Management Grant	2 500 000	3 000 000
Municipal Disaster Relief Grant	-	596 000
	560 832 000	420 867 989
Capital grants		
Municipal Infrastructure Grant	66 953 028	54 594 221
Intergrated National Electrification Programme	14 102 396	30 697 045
Distressed Mining Town Grant	19 621 151	14 425 102
	100 676 575	99 716 368
Equitable Share		
In terms of the Constitution, a portion of this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly 100% subsidy which is funded from the grant.		
Finance Management Grant		
Balance unspent at beginning of year	-	163 989
Current-year receipts	2 500 000	3 000 000
Conditions met - transferred to revenue	(2 500 000)	(3 000 000)
Other	-	(163 989)
	-	-
Expanded Public Works Program Grant		
Current-year receipts	1 052 000	1 786 000
Conditions met - transferred to revenue	(1 052 000)	(1 786 000)
	-	-
Municipal Infrastructure Grant		
Balance unspent at beginning of year	29 775 265	2 070 486
Returned to National Treasury	(22 400 000)	(2 070 000)
Current-year receipts	81 107 000	84 369 000
Conditions met - transferred to revenue	(66 953 028)	(54 594 221)
	21 529 237	29 775 265
Conditions still to be met - remain liabilities (see note 17).		
Repayment of 2020/21 MIG unspent conditional grant balance back to National Treasury		
The MIG unspent conditional grant balance of R22,400,000 for the 2020/21 financial year was not approved for roll-over, and the municipality paid the amount back to National Treasury on 29 November 2021. This was accounted as an adjusting event after the reporting date in terms of GRAP 14 (Events after the reporting date).		
Municipal Disaster Relief Grant		
Current-year receipts	-	596 000
Conditions met - transferred to revenue	-	(596 000)

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Government grants and subsidies (continued)	-	-
Intergrated National Electrification Programme		
Balance unspent at beginning of year	53 596 349	84 261 394
Current-year receipts	-	10 000 000
Conditions met - transferred to revenue	-	(9 384 680)
Conditions met - transferred to revenue	(12 504 657)	(9 968 000)
	-	(21 312 365)
	41 091 692	53 596 349

The municipality made budget available to the amount of R13,550,000 of which R12,504,657 was utilised on electrification projects, and the balance rolled over into the new financial year. As at 30 June 2021 the remainder of the INEP unspent grant was cash-backed..

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

Distressed Mining Town Grant

Balance unspent at beginning of year	35 811 598	50 236 700
Conditions met - transferred to revenue	(19 621 151)	(14 425 102)
	16 190 447	35 811 598

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

34. Public contributions and donations

Public contributions and donations	5 028 779	-
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Public contributions and donations are in respect of Mobile Testing Station and Faw Horse Truck donated by RTMC and Computer equipment donated by the Office of the Premier.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Employee related costs		
Basic	115 003 720	107 823 938
Medical aid - company contributions	9 183 672	9 009 899
UIF	541 097	555 130
SDL	35 736	35 424
Skills development levy	1 218 829	1 255 486
Leave pay provision charge	3 749 862	3 854 774
Defined contribution plans	21 855 097	20 844 678
Travel, motor car, accommodation, subsistence and other allowances	1 564 305	1 268 146
Overtime payments	4 341 781	4 311 380
Long-service bonus provision	1 111 325	364 538
13th Cheques	8 774 285	8 437 478
Acting allowances	523 090	372 221
Car allowance	17 379 395	17 216 504
Housing benefits and allowances	2 090 590	1 949 598
Telephone allowance	2 167 951	2 000 197
Standby allowance	804 153	809 207
Post Employment Health Care Benefit Current Cost	4 452 642	4 856 746
	194 797 530	184 965 344

Remuneration of Municipal Manager

Annual Remuneration	897 371	245 727
Acting Allowance	-	221 857
Leave Pay	-	135 982
Car Allowance	165 000	82 066
Telephone Allowance	30 145	7 411
Remote Allowance	42 564	15 597
Back Pay	-	61 660
	1 135 080	770 300

Remuneration of Chief Finance Officer

Annual Remuneration	744 650	179 479
Acting Allowance	-	44 490
Telephone Allowance	29 400	7 350
Car Allowance	226 101	56 841
Travel claim	-	6 541
Acting Allowance	4 270	-
Remote Allowance	38 906	9 459
Back Pay	-	6 634
	1 043 327	310 794

Remuneration of Deputy Chief Financial Officer

Back Pay	-	29 815
Remote Allowance	-	1 192
	-	31 007

Director Regional Office

Annual Remuneration	671 057	631 131
Car Allowance	180 000	180 000
Housing Allowance	63 774	63 774
Travel Claim	49 407	43 910

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35. Employee related costs (continued)		
Telephone Allowance	29 400	29 400
Remote Allowance	38 906	39 187
Bonus	55 921	52 837
Back Pay	-	82 020
Refund	-	371
Subsistence Allowance	556	268
	1 089 021	1 122 898

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35. Employee related costs (continued)

Remuneration of Corporate and Human Resources (Corporate Services)

Annual Remuneration	-	367 840
Housing Allowance	-	42 545
Car Allowance	-	70 909
Telephone Allowance	-	11 582
Remote Allowance	-	24 037
Refund	-	188 299
Acting Allowance	-	57 679
Back Pay	-	118 882
	-	881 773

Remuneration of Community Services

Annual Remuneration	631 566	597 642
Telephone Allowance	29 400	29 400
Bonus	52 631	49 547
Car Allowance	226 555	226 555
Housing Allowance	60 000	60 000
Travel Claim	26 734	45 176
Back Pay	-	66 103
Remote Allowance	38 906	38 550
Travel Claim (Taxable)	4 739	-
	1 070 531	1 112 973

Remuneration of Director Technical Services

Annual Remuneration	211 024	729 231
Housing Allowance	19 909	72 000
Car Allowance	19 909	72 000
Leave	179 074	82 013
Remote Allowance	10 758	39 186
Bonus	75 882	55 469
Travel Claim	-	16 697
Telephone	8 130	29 400
	524 686	1 095 996

The Technical Director resigned in November 2020 and Council appointed the Manager Technical Services to act in the position.

Remuneration of Director Economic and Planning

Annual Remuneration	583 589	570 231
Car Allowance	243 162	232 725
Telephone Allowance	29 400	29 400
Travel Claim	4 632	8 436
Housing Allowance	95 368	83 519
Bonus	48 632	46 627
Back Pay	-	123 587
Remote Allowance	38 906	40 850
	1 043 689	1 135 375

Remuneration of Director Development and Planning

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35. Employee related costs (continued)		
Annual Remuneration	720 000	714 568
Car Allowance	90 752	75 000
Telephone Allowance	29 400	29 400
Housing Allowance	100 000	90 842
Travel Claim	5 289	17 678
Bonus	60 000	61 260
Remote Allowance	38 905	39 187
Backpay	-	82 020
Subsistence Allowance	-	646
Refund	-	142
Acting Allowance	16 390	-
	1 060 736	1 110 743

Remuneration of S 56 and 57 Managers

Municipal Manager	1 135 080	770 300
Chief Finance Officer	1 043 327	310 794
Deputy Chief Financial Officer	-	31 007
Director Regional Office	1 089 021	1 122 898
Director Corporate and Human Resources (Corporate Services)	-	881 773
Director Community Services	1 070 531	1 112 973
Director Technical Services	524 686	1 095 996
Director Economic and Planning	1 043 689	1 135 375
Director Development and Planning	1 060 736	1 110 743
	6 967 070	7 571 859

36. Remuneration of councillors

Mayor	947 551	876 887
Speaker	801 124	900 493
Chief Whip	726 203	785 672
Mayoral Committee Members	5 177 367	2 589 289
Councillors	25 950 820	26 809 420
	33 603 065	31 961 761

In-kind benefits

The Mayor, Speaker and Chief Whip are full time and provided with office space and secretarial support at the cost of the Council.

The executive committee consists of full time and part time members.

The Mayor has the right of use of a municipal vehicle including a driver.

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36. Remuneration of councillors (continued)

Remuneration of Mayor

Car Allowance	223 463	208 422
Cellphone Allowance	40 800	39 800
Salary	670 388	625 265
Data Allowance	12 900	3 400
	947 551	876 887

Remuneration of Speaker

Car Allowance	178 770	188 680
Cellphone Allowance	40 800	40 800
Travel Claim	76 694	104 972
Salary	536 309	562 341
Data Allowance	12 900	3 700
	845 473	900 493

Remuneration of Chief Whip

Car Allowance	167 597	173 996
Cellphone Allowance	40 800	40 800
Travel Claim	31 786	48 891
Salary	502 790	518 285
Data Allowance	12 900	3 700
	755 873	785 672

Remuneration of Councillors including EXCO Members

Car Allowance	5 854 102	5 959 611
Cellphone Allowance	2 985 200	2 942 755
Travel Claim	3 642 411	3 136 314
Salary and Allowances	17 561 209	17 092 905
Foreign Subsistence Allowance	-	268
Data Allowance	981 000	266 855
	31 023 922	29 398 708

Councillors' remuneration is paid in line with the upper limits.

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37. Depreciation and amortisation		
Property, plant and equipment	102 138 694	106 476 329
Intangible assets	38 352	30 232
	102 177 046	106 506 561
38. Impairment losses/reversal of impairment		
Impairments		
Property, plant and equipment	12 504 072	1 666 330
	12 504 072	1 666 330
	-	-
39. Finance costs		
Finance leases	2 952 050	-
Current borrowings	1 011 445	797 715
	3 963 495	797 715
40. Debt impairment		
Debt impairment - Consumer debtors	77 119 981	92 436 082
Debt impairment - Traffic debtors	509 700	1 825 025
Debt impairment - Long outstanding debtors	-	377 415
	77 629 681	94 638 522
41. Contracted services		
Security and Other Contractors	163 395 356	93 807 559
Catering Services	342 089	267 620
	163 737 445	94 075 179
	-	-
	-	-
	-	-
	163 737 445	94 075 179

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42. General expenses		
Allowances traditional leaders	32 609	133 500
Advertisements	1 081 401	137 244
Auditors remuneration	7 679 600	5 627 874
Bank charges	186 443	270 743
Consulting and professional fees	4 520 472	686 739
Assets Donations	35 355 780	-
Entertainment	9 263	114 968
Hire	990 394	556 823
Insurance	4 742 297	1 758 311
IT management	9 517 210	4 388 394
Promotions and sponsorships	117 074	1 189 386
Magazines, books and periodicals	149 751	33 414
Fuel and oil	2 729 383	2 873 888
Printing and stationery	258 404	-
Protective clothing	591 373	-
Repairs and maintenance	1 465 748	-
Royalties and licence fees	441 585	219 872
Subscriptions and membership fees	2 781 190	2 365 492
Telephone and fax	2 540 426	2 443 431
Training	1 077 841	1 533 742
Travel - local	3 759 785	5 432 347
Skills development program	3 589	3 589
Special programs	2 481 378	2 474 380
Ward committee	6 815 760	5 555 949
Other expenses	12 072 367	2 813 251
	101 401 123	40 613 337

43. Fair value adjustments

Investment property (Fair value model)	5 150 000	-
Land Inventory	21 878 400	-
	27 028 400	-

Investment property (Fair value model)

These are fair value adjustments (gains) from the fair valuation of the municipality's Investment Property in line with the municipality's accounting policy and GRAP 16 paragraphs 46 to 70.

Land Inventory

Farm Mooifontein kt 313 portion (Burgersfort Ext 93) was subdivided into residential Ervens with the total value of R25,738,400. The fair value of the ervens was determined by an independent appraiser.

44. Auditors' remuneration

Fees	7 679 600	5 627 874
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Figures in Rand	2021	2020
45. Cash generated from operations		
Surplus	165 554 195	141 264 639
Adjustments for:		
Depreciation and amortisation	102 177 046	106 506 561
Landfill site provision	-	139 839
	-	-
Fair value adjustments-investment property	(27 028 400)	(17 470 000)
Loss on disposal of assets	3 220 808	1 726 114
Operating lease straight -lining	-	6 416 547
Impairment deficit	12 504 072	1 666 330
Debt impairment / (Reversal of Impairment)	77 629 681	94 638 522
Leave provision	2 708 032	3 421 787
Bonus Accrual	157 828	(21 919)
Employee benefits obligation movements	4 738 551	(1 208 905)
Reversal of invalid debtors	12 153 497	-
Changes in working capital:		
Inventories	(42 493 059)	(352 321)
Receivables from exchange transactions	102 765	5 619 088
Other receivables from Consumer debtors	18 178 861	(95 228 828)
Other receivables from non-exchange transactions	(16 041 608)	1 625 580
Prepayments	(5 645 758)	-
Payables from exchange transactions	12 209 222	7 138 047
VAT	(15 750 761)	666 861
Unspent conditional grants and receipts	(41 969 574)	(17 549 357)
	262 405 398	238 998 585

46. Awards to close family members of persons in the service of the state

The Chief Audit Executive declared an interest in Bauba Marumo, one of the Municipality's service providers for refuse collection, which is owned by her mother. During the year under review the company was awarded contracts worth R36,197,901 and payments amounting to R11,212,634 were paid to the company.

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47. Commitments		
Authorised capital expenditure not completed		
Already contracted for but not provided for		
• Property, plant and equipment	236 698 184	215 527 015
Capital Commitments - Prior period Errors		
• Commitments as per 2020 audited AFS	-	133 813 828
• Commitments omitted in the 2020 audited balance	-	81 713 187
Restated balance as at 30 June 2020	-	215 527 015
Total capital commitments		
Already contracted for but not provided for	236 698 184	215 527 015
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	109 750 826	121 854 373
Operational Commitments - Prior period Errors		
• Commitments as per 2020 audited AFS	-	113 546 992
• Understatement of Commitments per projects disclosed in the 2020 audited balance	-	8 307 381
	-	121 854 373
Total operational commitments		
Already contracted for but not provided for	109 750 826	121 854 373
Total commitments		
Total commitments		
Authorised capital expenditure	236 698 184	215 527 015
Authorised operational expenditure	109 750 826	121 854 373
	346 449 010	337 381 388

This committed expenditure relates to plant and equipment as well as operational expenditure budgeted for in the Medium Term Revenue and Expenditure Framework and it will be financed out of existing cash as well as future anticipated revenue to be collected as per Section 18 of the MFMA.

The Municipality does not have any commitment which is regulated in terms of Section 33 and 120 of the MFMA.

All commitments are inclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 967 230	1 967 230
- in second to fifth year inclusive	491 807	2 459 037
	2 459 037	4 426 267

The lease agreement is for office equipment leased from Anaka Group for a period of 3 years from 1 October 2019.

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48. Contingent Assets and Liabilities

Contingent assets

Description	2021	2020
1. Mashile Caiphus Sebesho / Fetakgomo-Greater Tubatse Local Municipality - Mr Sebesho continued to receive salary from August 2014 to January 2015 to the amount of R251,618 despite his contract having terminated on the 04th day of July 2014. The plaintiff is deceased, hence the municipality is making efforts to recover costs from his estate. The possible financial exposure is unquantifiable at this stage.	-	251 618
2. SIU vs.Mphaphuli Consulting//GTM - The municipality has taken legal action and is in the process of seeking to recover money that was paid to Mphaphuli Consulting (Pty) Ltd regarding the electrification of villages.Per the SIU proclamation number R52 of 2014 SIU has taken over the case and summons have been issued to Mphaphuli Consulting (Pty) Ltd. The possible financial exposure is R76 462 807.89	76 462 807	76 462 807
3. FTM/TT Property consultants TT Property Consultants was appointed in 2014 for the compilation of valuation and supplementary rolls for the former GTM for a period of 4 years (July 2015 to June 2019) for a total cost of R2 960 000. They received payments from the year 2015 to date on the contract amounting to R11 743 248, 54 whereas the contract amount was R2 960 000 with the overpayment amount being R8 783 248, 54.	8 783 249	8 783 249
4. FTM/Murathi IncMurathi Inc was erroneously paid twice by FTM.	453 720	-
5. FTM/Gracious Lodge and others Respondent developed and erected further building without prior approval of the municipality. Cost to be tenderd by the third defendants	200 000	-
6. FTM/Naheeda Property and others Respondent developed a social hall which extended to the adjacent property without the consolidation of both contiguous properties and prior approval from the municipality. Respondents to pay wasted costs.	200 000	-
7. Lazarus Puleng Madireng / Fetakgomo Tubatse Local Municipality The Municipality was being sued for an amount of R210 000.0, however the action was dismissed and Plaintiff was ordere to pay costs and it has been finaised. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	-
	86 099 776	85 497 674

Contingent liabilities

The following are the Contingent liabilities assumed:

Description	2021	2020
1. Edward Baleni Property Consultants vs FLM. The service provider failed to complete valuation roll in terms of the contract with the then Fetakgomo local municipality. The plaintiff sued the municipality sum of R2 591 350,00. The potential financial exposure is R2,591,350. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	3 600 000	2 591 350
2. Bernard Nchabeleng vs FLM. The plaintiff was evicted from the municipality land. He plaintiff alleges that he was allocated the land by the traditional authority. Further alleges that he suffered damages in the amount of R590 000, 00 as result of their eviction. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	590 000	590 000

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Figures in Rand	2021	2020
48. Contingent Assets and Liabilities (continued)		
3. Harlequinne Duck Properties vs. FTLM. The Plaintiff is suing the Municipality for delictual damages allegedly suffered as result of Municipal failure to comply with the agreement to exchange properties entered into around 2009 for the amount of R 29 ,303,469,63. R478,321.47 was also claimed for loss of income. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	29 781 791	29 781 791
4. Puladitsela Consulting v GTM. The consultant was appointed by the GTM for planning, design and implementation of electrification on several villages within the GTM. They claim that the Municipality is using their designs for implementation of Operation Mabone. The claim amount is R95m. The possible exposure is R95,000,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	95 000 000	95 000 000
5. GTM v N.A Koko. Employee was dismissed for misconduct. The Review has been concluded however the employee has taken the matter on appeal. All relevant pleadings have been exchanged and heads of arguments submitted. Parties await the hearing date for the Appeal hearing, alternatively judgment of the Appeal, should same be decided on papers. Financial exposure is reinstatement and possibly up to 24 months compensation for unfair dismissal in the sum of R955 621.00. Legal fees are estimated at R100,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	955 621
6. Mogodi RR & others vs FTLM. The employees are challenging the municipality for unfair labour practices as a result of placement of former GTM employees. The arbitration is on favour of the employees and the employer is bound to comply with the award. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	700 000	-
7. Edward Ntala Mafane & 3 Others / Fetakgomo-Greater Tubatse Local Municipality - These matters relate to contract of employment which contract was aligned to the term of office of the Executive Mayor. Upon expiry of the term of office of the Executive Mayor the contracts of those employees automatically lapsed and/or ended by effluxion of time. Now these employees' contracts ended upon resignation of the Mayor. Soon thereafter they launched an action in the Labour Court, Braamfontein claiming unfair dismissal. We have since replied to their statement of claim indicating that it is not an unfair dismissal but that their contracts have ended. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	600 000	500 000
8. MPHAPHULI VS FTLM// SIUThe municipality received combined summons on the 15th June 2020 where Mphaphuli Consulting is the plaintiff claiming to have suffered Patrimonial loss, contractual and consequential damages. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	506 713 014	506 713 014
9. MPHAPHULI VS FTLM// ESKOMThe municipality received summons from the complainant where they claim that the municipality is owing them monies. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	9 763 851	9 763 851
10 . Evidence Malesa & 182 others Former employees whose contracts were not renewed by the municipality initiated arbitration processes against the municipality, arguing that their contracts should have been renewed. The commissioner ruled in their favour however the municipality is appealing the ruling. The possible financial exposure cannot be determined. he potential financial exposure is R4,000,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	5 000 000	4 000 000
11 . Tubatse Waste Management Consortium Vs Fetakgomo/ Greater Tubatse Local Municipality& 02 Others - The Plaintiff issued summon in respect of alleged damages incurred due to the cancellation of a tender. The plaintiff amended their summons and we have amended and filed our plea to their amended papers. We will proceed to file our discovery notices and discovery affidavit to have the matter move forward. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	366 022 288	366 022 288
12. FTM/Mapale Distributors CC - Mapale was awarded a contract to construct a fence for a cemetery. The job was doen and they were paid in full, Mapale now sues the municipality for the entire contract amount less amount paid, being R175,392.80. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	175 393	122 775

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48. Contingent Assets and Liabilities (continued)		
13. FTM/Sekoko Mamejta Inc This is a legality review of a decision to appoint Sekoko Mamejta to panel of debt collectors of the municipality. The court granted the order but the respondent filed for an application to leave. The potential financial exposure is R150,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	436 250	150 000
14. FM Maluleke Inc// FTLM The plaintiff launched an action against the municipality for a defamation of character and claims for reputational damages. The potential financial exposure is R 4 000 0000.	4 000 000	-
15. Loge Construction vs FTM & Mulalo New case. Application awarded in favour of plaintiff but review application to be heard on 11 August 2021. The potential financial exposure is R	-	-
16. Baatshuma (Pty) Ltd vs FTM- Requesting that appointment of REA be set aside. The potential financial exposure cannot be ascertained at this stage. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	-
17. Phadime AM vs FTLM The applicant sought relief at the labour court for an order requesting implementation of salary parity. The Municipality defends the matter on the basis that the salary is based on a task graded system. The matter is in pleading stages and the potential financial exposure is R1,500,000.	1 000 000	-
18. MI Phasha Attorneys were given instructions on 14/11/2019 to institute review proceedings to set aside the appointment of Mr Phasha as Director Corporate. The potential financial exposure cannot be ascertained at this stage. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	-
19. Mashabane, Thabang and 51 others - (Thamaga case) - Review of arbitration award. The potential financial exposure is R 3,500 0000.	3 500 000	-
20. NA Koko Following on from the Reinstatement order Mr Koko brought an application in the Labour Court for payment of wages between the 7th March 2014 to the 31st December 2020. A subpoena requesting Mr Koko's bank statements and tax records for the period has been issued.	3 040 766	-
	1 029 923 353	1 016 190 690

49. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Councillors	Refer to note 36
Directors	Refer to note 35

The Directors and Councillors are related parties and their transactions are included in note 35 and 36. The municipality has various processes in place to identify and note any related party transactions. These processes range from disclosure by bidders on the bid documents (MBD4) to maintenance of a conflict of interest register. For councillors, the disclosure register is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

Councillors and Directors are related parties and their transactions are included in the notes to the financial statements.

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50. Prior period errors

1. 2020 supplier invoices amounting to R679,181 were not accrued for in the 2019-20 financial year, resulting in understatement of 2020 expenditure by R678,632, creditors by R679,181 and Input VAT by R549.
2. Legacy suspense vote balances with no movement from prior years of R4,871,617 were written off to Accumulated Surplus after Council approval.
3. The 2019 operating lease liability (Municipal building) and 2019 operating lease expense (accumulated surplus) were overstated by R1,650,563 due to a duplication of the June 2019 instalment accrual.
4. Accrued 2019 Councillors' backpay of R827,207 was paid in 2020 but the payments were debited to payroll costs instead of sundry payables, resulting in overstatement of Payables and understatement Accumulated surplus by R827,207.
5. Accrued 2019 S56 and S57 Managers' backpay of R451,311 was paid in 2020 but the payments were debited to payroll costs instead of sundry payables resulting in overstatement of Payables and understatement Accumulated surplus by R451,311.
6. 2020 misposts of R2,718,310 bank reversal transactions between the Receipt reversal vote and the Unallocated receipts vote resulted in overstatement of cash and cash equivalents and payables from exchange transactions by R2,718,310.
7. 2020 WIP of R233,343 (Electrification Mabone retention) was misposted to VAT Receivables, resulting in PPE being understated by R233,343 and VAT overstated by the same amount.
8. Retentions for the Apel Nodal Culvert bridge of R313,621 was incorrectly credited to accumulated surplus, resulting in understatement of the retentions liability and overstatement of Accumulated surplus by R313,621.
9. A payment certificate of R289,943 for the Malogeng landfill site was incorrectly credited to accumulated surplus in prior years, resulting in understatement of Payables and overstatement of Accumulated surplus by R289,943.
10. The FNB Bank account was incorrectly debited by R19,027, resulting in overstatement of Cash and Cash Equivalents by R19,027 and understatement of VAT receivable by the same amount.
11. Assets of R775 were duplicated in the financial records, resulting in overstatement of PPE by R775, Accumulated depreciation by R750 and 2020 depreciation by R25.
12. An incorrect and unsubstantiated journal of R3,664,089 was debited to the FNB Current account, resulting in overstatement of cash and cash equivalents and payables from exchange transactions by R3,664,089.
13. 2019 Payroll cost payments of R3,046,089 were not correctly recognised, resulting in overstatement of cash and cash equivalents by R3,046,089 and understatement of 2019 payroll costs (Accumulated surplus) by the same amount.
14. Cancelled payments for payroll costs of R1,999,248 accrued for in 2019 were not reversed, resulting in overstatement of cash and cash equivalents and payables from exchange transactions by R1,999,248.
15. 2020 Bank charges were not recognised, resulting in overstatement of cash and cash equivalents by R18 and understatement of 2020 bank charges by the same amount.
16. Unsubstantiated transactions amounting to R669,753 were debited to the FNB Bank account GL, resulting in overstatement of cash and cash equivalents by R669,753, payables from exchange transactions by R401,922, and understatement of Other Debtors and VAT Receivables by R266,470 and R1,360 respectively.
17. 2019 receipts of R716,728 were incorrectly debited to the 2020 FNB Bank account GL, resulting in overstatement of cash equivalents by R716,728 and accumulated surplus by the same amount.
18. An amount of R245,245 in the 2020 journal 147 was incorrectly processed between the FNB Bank Account GL and the Unallocated Deposits, resulting in overstatement of cash and cash equivalents and payables from exchange transactions by R245,245.

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50. Prior period errors (continued)

19. An amount of R90,317 was incorrectly processed in the FNB Bank Account GL, resulting in in overstatement of cash and cash equivalents and payables from exchange transactions by R90,317.
20. Prior year receipts of R435,289 did not reflect in the FNB Bank account but were not reversed in the GL, resulting in overstatement of cash and cash equivalents and Accumulated surplus by R435,289.
21. 2020 bank transactions (deposits) of R55,071 were noted in the FNB current account bank statements but were not recorded in the GL, resulting in understatement of cash and cash equivalents and payables from exchange transactions by R55,071.
22. Unsubstantiated GL credit entries of R72,324 were processed in the 2020 FNB Current account GL, resulting in understatement of cash and cash equivalents and payables from exchange transactions by R72,324.
23. 2020 bad debts written off of R567,222 were incorrectly debited to the expense vote instead of utilising the debt impairment provision, resulting in overstatement of the 2020 debt impairment provision and bad debts written off expense by R567,222.
24. Mabopo Traffic Station was previously not recognised resulting in understatement of Accumulated surplus by 8,056,835. Recognition of the Mabopo Traffic Station resulted in a fair value gain of R8,056,835, PPE of R7,669,218 and 2020 depreciation of R387,618.
25. Land, Burgersfort ext 54 was previously not recognised resulting in understatement of PPE and Accumulated surplus by R58,260,000. Burgersfort ext 54 subdivision resulted in recognition of land of R58,260,000.
26. The Depreciation for Radingwana Sports Complex(30 June 2019) ws previously understated resulting in overstatement of PPE by R1,413,233, 2020 depreciation by R397,557 and Accumulated surplus by R1,015,675.
27. Security Costs and maintenance costs of R203,994 were erroneously added to Radingwana Sports Complex WIP costs in Prior Years resulting in overstatement of PPE and Accumulated surplus by R203,994.
28. Retention on Certificate 2 of R178,237 was erroneously recorded twice in WIP resulting in overstatement of PPE and Accumulated surplus by R178,237.
29. Adjustments of R687,810 were made for Initial Recognition of Existing Structures at Radingwana Sports Complex omitted in error in prior years to correct the understatement of PPE and Accumulated surplus by R687,810.
30. PPE new discoveries of R1,362,672 were accounted for as prior period error adjustment against accumulated surplus.
31. PPE and accumulated surplus were understated by f R2,352,687 due to overstatement of Prior Years Depreciation for Radingwana Sports Complex. An adjustment of R2,352,687 was processed for the reversal of Accumulated Depreciation for the amounts erroneously Capitalised in Prior Years for Radingwana Sports Complex.
32. Prior year invoices of R1,125,104 were previously not accounted for resulting in understatement of Payables by R1,125,104, VAT receivable by R9,541, General expenses by R30,059 and overstatement of Accumulated surplus by R1,085,504.
33. Prior year invoices of R1,017,989 were incorrectly recognised in the current financial year resulting in understatement of Payables by R1,017,989 and overstatement of Accumulated surplus by the same amount.
34. Prior year payroll costs of R140,988 were not cleared from the bank suspense votes, resulting overstatement of the Standard Bank Main balance by R140,988.
35. PPE (land) and accumulated surplus were overstated by R9,619,267 due to recognition of land that the municipality did not have control.
36. The 2020 movement in the landfill site rehabilitation provision was erroneously debited to general expenses instead of against PPE (Land), resulting in understatement of PPE by R235,106 and overstatement of general expenses by R235,106.

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50. Prior period errors (continued)

37. Land inventory (Portion 8 of Farm Apiesdoordraai 298kt) where the Municipality has no control was erroneously recognised as land inventory, resulting in overstatement of land inventory and accumulated surplus by R24,127.55.

38.. Prior year Consumer debtors amounting to R139,360,600 were reversed as they were irrecoverable as the municipality had been billing in non-rateable areas. These were written reversed against the provision which had been raised in prior years.

39. The Mapobo Traffic Center- Pallisade Fence(9801304) and Stee tank(9801307) was previously not capitalised in the asset register, resulting in understatement of PPE by R563,913 (Cost R647,938, accumulated depreciation R84,025) and accumulated surplus by R563,913..

40. Community Internal Streets with a cost of R9,237,127 were erroneously capitalised in current year instead of 2020 financial year, resulting in understatement of 2020 depreciation by R51,024.

41. The property Mooifontein KT313 Portion 97 was erroneously derecognised in 2019 from the Investment Property Register instead of transferring to Land Register as it was not a duplicate. This resulted in understatement of PPE (Land) and Accumulated surplus by R3,860,000.

42. The Electrification of Dibakwane and Kopje villages completed in prior years was not transferred to expenses on completion of the projects, resulting in overstatement of WIP and understatement of Accumulated surplus by R9,883,051.

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

Statement of financial position

Receivables from non-exchange transactions	-	(4 234 773)
VAT Receivable	-	(347 111)
Consumer Debtors from exchange transactions	-	(411 927)
Consumer Debtors from non-exchange transactions	-	(138 948 673)
Consumer Debtors from exchange transactions- Provision for doubtful debts	-	411 927
Consumer Debtors from non-exchange transactions- Provision for doubtful debts	-	139 515 895
Cash and cash equivalents	-	(13 240 333)
Property, Plant and Equipment	-	53 851 066
Payables from exchange transactions	-	4 754 443
Accumulated surplus	-	(42 093 618)

Statement of financial performance

Employee related costs	-	(18 449)
Depreciation and amortisation	-	836 175
Bad debts written off	-	(567 222)
Contracted services	-	864 449
General expenses	-	(371 848)

51. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

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51. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions		5 762 044	(4 234 773)	1 527 272
VAT Receivable		10 629 830	(347 111)	10 282 719
Consumer Debtors from exchange transactions		81 852 768	(411 927)	81 440 841
Consumer Debtors from non-exchange transactions		438 225 620	(138 948 673)	299 276 947
Consumer Debtors from exchange transactions - Provision for Doubtful debts		(68 542 387)	411 927	(68 130 460)
Consumer Debtors from non-exchange transactions - Provision for Doubtful debts		(384 605 752)	139 515 895	(245 089 857)
Cash and cash equivalents	10	226 630 554	(13 240 333)	213 390 220
Property, Plant and Equipment		2 258 686 065	53 851 061	2 312 537 131
Payables from exchange transactions	11	(101 090 280)	4 754 443	(96 335 838)
Accumulated Surplus	12	(2 203 181 322)	(42 093 618)	(2 245 274 940)
		264 367 140	(743 109)	263 624 035

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
		-	-	-	-
	37	-	-	-	-
Employee related costs	27	184 983 793	-	(18 449)	184 965 344
Depreciation and amortisation		105 670 386	836 176	-	106 506 561
Bad debts written off		567 222	(567 222)	-	-
Contracted services	41	93 210 730	-	864 449	94 075 179
General expenditure	42	40 985 186	474 151	(846 000)	40 613 338
Surplus for the year		425 417 317	743 105	-	426 160 422

Reclassifications

The following reclassification adjustments occurred:

1. Reclassifications from Contracted Services to Employee related costs

Payroll costs amounting to R18,449 were incorrectly disclosed under Contracted Services in the 2019/20 financial year, resulting in understatement of Payroll costs by R18,449 and overstatement of Contracted services by the same amount.

2. Reclassifications from General Expense to Contracted Services

Contracted Service (Professional Services) of R846,000 were incorrectly disclosed under General Expenses in the 2019/20 financial year, resulting in understatement of Contracted services by R846,000 and overstatement of General Expenses by the same amount.

52. Risk management

Financial risk management

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

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52. Risk management (continued)

Liquidity risk

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

Cash flow forecasts are prepared in line with the trend in order to manage revenue and expenditure.

Market Risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The municipality is not exposed to currency risk as its operations are only in South Africa, and its financial transactions are primarily denominated in the South African Rand.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Consumer debtors are exposed to interest rate risk as the municipality levies interest at prime plus 1%. The municipality's investments are also affected by fluctuations in the market interest rates.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Changes in the CPI and the PPI could have an impact on the pricing of goods and services procured by the municipality. Similarly, the volatility in international markets and the seasonal fluctuations in fuel price and supply also present a price risk to the municipality.

Credit risk

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

Trade receivables are assessed for recoverability in line with the municipality debt impairment policy which is aligned to the GRAP 104 paragraph 61 (Financial Instruments).

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

Financial instrument	2021	2020
Receivables from exchange transactions	69 241	172 006
Receivables from non-exchange transactions	1 468 880	1 565 922
Consumer debtors	47 294 068	298 160 587
Cash and cash equivalents	298 160 587	213 550 889

53. Going concern

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

The municipality is constitutionally mandated to impose Rates and Taxes in terms of Section 229 of the Constitution and that ensures that it will continue to fund its operations.

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53. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality. This was made possible due to the following:

1. Grants have been appropriated in the DORA in favour of the municipality, which will ensure operational sustainability of the municipality. Both the operational and capital grants have been appropriated in the DORA in favour of the municipality as part of the Multi-Year Revenue and Expenditure Framework, which will ensure operational sustainability of the the municipality.

2. Funds have been ring-fenced for the unspent conditional grant liabilities and retention liability thus therefore the municipality will be able to discharge its financial obligations relating to these liabilities.

54. Events after the reporting date

Adjusting events after the reporting date

1. Write off unauthorised irregular, fruitless and wasteful expenditure by Council

Council resolved to write off unauthorised irregular, fruitless and wasteful expenditure on 31 August 2021, and the disclosures were amended accordingly as per SC02/2021.

2. Recovery of R16,100,000 of the VBS investment by the Liquidator

The municipality was allocated R16,100,000 by the Liquidator in the First Liquidation and Distribution Account which is a portion of R 158 563 495.51, which is the free residue the of the total Estate which the liquidator has been able to recover from the liquidated VBS Bank to date. The liquidation and distribution account lay for inspection by the creditors in the Office of the Master of the High Court, Pretoria and at the VBS Corporate Office, 82 Wessel Road, Metropolitan Office Park, Rivonia, for 14 days from 5 November 2021 to 19 November 2021, and no objections were filed during this period.

3. Repayment of 2020/21 MIG unspent conditional grant balance back to National Treasury

The MIG unspent conditional grant balance of R22,400,000 for the 2020/21 financial year was not approved for roll-over, and the municipality paid the amount back to National Treasury on 29 November 2021.

Non-Adjusting events after the reporting date

1. Highmast lights vandalised after year-end

Highmast Lights with the carrying value of R823 813 were vandalised and fully impaired in the 2021 financial year. The assets are under investigation before a final decision is made by the council.

55. Unauthorised expenditure

Opening balance as previously reported	(131 710 084)	(86 269 499)
Opening balance	(131 710 084)	(86 269 499)
Add: Expenditure identified - current	(94 300 362)	(29 884 053)
Add: Expenditure identified - prior period	-	(15 556 532)
Less: Written off - Prior	129 468 790	-
Closing balance	(96 541 656)	(131 710 084)

The 2021 unauthorised expenditure consists of mainly non-cash items (Depreciation and armotisation R12,499,843, Debt impairment R35,941,152, Impairment loss R12,504,072, Loss on disposal of assets R3,220,808 and General expenses R24,208,334).

Prior Period Error Adjustment

The 2019 Unauthorised expenditure balance incorrectly calculated resulting in an understatement of R15,556,532. The necessary adjustment is reflected in the disclosure note.

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56. Fruitless and wasteful expenditure		
Opening balance as previously reported	42 289 664	31 874 531
Opening balance	42 289 664	31 874 531
Add: Expenditure identified - current	5 668 684	-
Add: Expenditure identified - prior period	-	10 415 133
Closing balance	47 958 348	42 289 664

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Figures in Rand		2021	2020
56. Fruitless and wasteful expenditure (continued)			
Expenditure identified in the current year include those listed below:			
	Disciplinary steps taken/criminal proceedings		
Eskom	Interest charge - Under investigation.	-	1 845
Civic centre building	Excessive amount for acquisition of the Civic Centre building	5 484 087	-
Balju Sherriff	Legal costs - Under investigation.	-	534 454
Auditor-General (SA)	Interest charge - Under investigation.	-	1 458
SARS	Penalty and interest due to reassessment for the period 202002 - Under investigation.	-	106 754
Lease of Building	Rental payments above market related rental as per AGSA finding - Under investigation.	-	8 555 552
Mammule Chidi Inc	Payment in favour of Mammule Chidi Attorney in a case of Wonder Kgole and Lelo - Under investigation.	6 509	-
Telkom	Interest charge - Under investigation.	-	5 559
Sekhukhune Times	Erratum for the advertisement of tenders and amendment of the contract - Under investigation.	17 312	-
Sekhukhune Times	Readverts - Under investigation.	-	22 838
Maluleka Inc	Interest charge - Under investigation.	-	382 386
Kgaogelo Kaekae	Interest charge - Under investigation.	-	104 848
Lehtlo Projects	Interest charge - Under investigation.	-	380 267
Sheriff Tubatse (Praktiseer)	Storage claim that accumulated due delay in removal of a car - Under investigation.	26 557	-
Kipp Consulting	Reprinting of tender documents due to incorrect specs given by the municipality - Under investigation.	-	80 168
Media 24 Limited	Readverts - Under investigation.	-	10 649
Buthane Attorneys	Legal costs relating to dispute between (Kgaogelo Kae-Kae) (Pty) Ltd and FTLM - Under investigation.	134 219	-
CTP Ltd TA Lowveld Media	Readverts - Under investigation.	-	19 916
Hillside	Interest charge - Under investigation.	-	208 439
		5 668 684	10 415 133

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57. Irregular expenditure		
Opening balance as previously reported	616 038 930	469 420 742
Add: Irregular Expenditure - 2020	-	137 461 108
Opening balance as restated	616 038 930	606 881 850
Add: Irregular Expenditure - current	130 606 881	-
Prior period error adjustment - 2020 financial year	-	(49 671)
Period error adjustment-2019 financial year	-	9 206 751
Less: Amount written off - current	(88 682 881)	-
Less: Amount written off - prior period	(409 299 396)	-
Closing balance	248 663 534	616 038 930

Current year Irregular Expenditure

Refer to **Annexure 1 - Breakdown of 2021 Irregular Expenditure** for a detailed breakdown of the irregular expenditure identified in the 2021 financial year and disclosure in terms of Section 125 (2)(d) of the MFMA.

Prior period error - Irregular Expenditure:

Included in the opening balance of irregular expenditure are prior year adjustments amounting to a total of R9,157,080 (2020: -R49,671. 2019: R9,206,751). Refer to **Annexure 2 – Breakdown of Prior Period Error Adjustments on Irregular Expenditure** for a detailed breakdown of the prior period error adjustments, as well as disclosure in terms of Section 125 (2)(d) of the MFMA.”

Irregular Expenditure written off

Irregular expenditure amounting to R497,982,277 (2020: R88,682,881. 2019: R409,299,396) was written off as per the recommendation of the forensic audit report, and includes the amount of R248,000,000 that was investigated by the SIU. Refer to **Annexure 3 - Breakdown of Irregular Expenditure written off**.

58. In-kind donations and assistance

Municipal Technical Advisor from National Treasury'

In the 2020 financial year a Municipal Technical Advisor from National Treasury's Government Technical Advisory Centre (GTAC) division, Mr Matome Chokoe, was seconded to the municipality in terms of the National Treasury's Municipal Finance Improvement Programme (MFIP IIIx) to provide technical assistance designed to build the financial management capacity of the municipality. The overall programme objectives of the MFIP programme are to incorporate the various dimensions of the municipal accountability cycle and to strengthen Institutional support, Supply Chain Management; Asset Management; Accounting & Audit Support, Budgeting and Revenue Management.

The Municipal Technical Advisor was placed by National Treasury at no cost to the municipality

59. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	9 399 456	12 750 180
Current year subscription / fee	-	5 627 874
Amount paid - previous years	(7 386 226)	(8 978 598)
	2 013 230	9 399 456

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)		
SALGA Fees		
Current year subscription / fee	2 319 578	1 556 604
Amount paid - current year	(2 319 578)	(1 556 604)
Prior period error - previous year shortfall	-	666 070
Amount paid - previous year (shortfall)	-	(666 070)
	-	-

Prior period error

The 2020 SALGA fees were underpaid by R666,070, and the shortfall was paid in 2021.

PAYE and UIF

Current year expenditure	24 876 870	32 800 050
Amount paid - current year	(24 876 870)	(32 800 050)
	-	-

Pension and Medical Aid Deductions

Current year expenditure	31 263 228	31 168 434
Prior period error	-	(1 309 416)
Amount paid - current year	(31 263 228)	(29 859 018)
	-	-

Prior period error

The 2020 Pension and Medical Aid Deductions amount was overstated by R1,309,416.

VAT

VAT receivable	26 033 480	10 282 719
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding on 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
COUNCILLOR MAMEKOA R.S.	17 872	1 514	19 386
COUNCILLOR MAILA E.	5 477	998	6 475
COUNCILLOR MAKINE M.P.	15 271	1 330	16 601
COUNCILLOR MAKOFANE I.T.	59 645	2 649	62 294
	98 265	6 491	104 756

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations - Deviations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipality Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Emergency Expenditure	11 879	534 630
Sole Suppliers	718 614	202 831
Exceptional Expenditure	67 074	3 290 388
	797 567	4 027 849

A detailed breakdown of the Deviations from supply chain management regulations is contained in **Annexure 4 - Deviations from supply chain management regulations.**

60. Segment information

General information

Identification of segments

The municipality is organised and reports to council on the basis of eight (8) major functional areas: community services, corporate services, executive council, finance, technical service administration, local economic development, development planning and municipal manager. The segments are organised around the departments which assist the municipality in service delivery. Council uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes..

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

Aggregated segments

The municipality operates in the Sekhukhune District area of the Limpopo province. Since all the segments are located in one geographical area, segment results were aggregated on the basis of services departments..

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60. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community services	Removal and disposal of waste, traffic safety, municipal by-laws and security. Provision of libraries, pounds, public parks and cemeteries.
Finance	Ensures proper management of municipal finances to improve financial viability, revenue, budget control, expenditure, and Free basic Services. It also administers supply chain, fleet, and asset management services.
Other	Technical Services, Corporate services, Executive Council, Development Planning, Local Economic Development, Municipal Manager

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60. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Community Services	Finance	Other	Total
Revenue				
Revenue from non-exchange transactions	1 676 450	684 200 829	105 705 354	791 582 633
Revenue from exchange transactions	38 751 977	23 599 605	364 035	62 715 617
Fair Value Adjustment	-	27 028 400	-	27 028 400
Total segment revenue	40 428 427	734 828 834	106 069 389	881 326 650
Entity's revenue				881 326 650
Expenditure				
Employee related costs	55 381 521	36 291 670	103 124 338	194 797 529
Remuneration of Councillors	-	-	33 603 064	33 603 064
Depreciation and armotisation	-	4 086 582	98 090 464	102 177 046
Impairment loss/reversal of impairment	-	-	12 504 072	12 504 072
Finance costs	-	-	3 963 495	3 963 495
Lease rentals on operating lease	-	-	14 669 114	14 669 114
Debt impairment/reversal of impairment	-	77 629 681	-	77 629 681
Contracted services	19 949 661	38 237 374	105 550 410	163 737 445
Transfers and subsidies	-	-	8 069 078	8 069 078
General expenses	7 146 841	14 432 522	79 821 757	101 401 120
Loss on non current assets held for sale or disposal groups	-	-	3 220 808	3 220 808
Total segment expenditure	82 478 023	170 677 829	462 616 600	715 772 452
Total segmental surplus/(deficit)				165 554 198

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	Community Services	Finance	Other	Total
60. Segment information (continued)				
Assets				
Inventories	-	-	43 218 202	43 218 202
Receivables from exchange transactions	-	-	69 241	69 241
Receivables from non-exchange transactions	-	-	17 568 880	17 568 880
VAT receivable	-	-	26 033 480	26 033 480
Prepayments	-	-	5 645 758	5 645 758
Consumer debtors from exchange transactions	-	-	12 676 720	12 676 720
Consumer debtors from non-exchange transactions	-	-	36 641 894	36 641 894
Cash and cash equivalents	-	-	298 160 586	298 160 586
Investment property	-	-	58 250 000	58 250 000
Property, Plant and Equipment	-	-	2 228 539 388	2 228 539 388
Community Assets	151 909 619	-	-	151 909 619
Intangible assets	-	-	171 568	171 568
Heritage Assets	-	-	1 068 300	1 068 300
Total segment assets	151 909 619	-	2 728 044 017	2 879 953 636
Total assets as per Statement of financial Position				2 879 953 636
Liabilities				
Finance lease obligation	-	80 248 643	-	80 248 643
Payables from exchange transactions	-	-	108 702 888	108 702 888
Employee benefit obligation	-	-	31 811 573	31 811 573
Unspent conditional grants and receipts	-	-	77 213 638	77 213 638
Provisions (Leave provision)	-	-	19 949 288	19 949 288
Provisions (Landfill Site rehabilitation)	9 933 839	-	-	9 933 839
Total segment liabilities	9 933 839	80 248 643	237 677 387	327 859 869
Total liabilities as per Statement of financial Position				327 859 869

Information about geographical areas

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60. Segment information (continued)

The municipality's operations are in its demarcated area in the Sekhukhune District in Limpopo Province.

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* See Note 51 & 50