



Thaba Chweu Local Municipality  
(Registration number MP321)  
Annual Financial statements  
for the year ended 30 June 2020



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## General Information

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### Mayoral committee

Executive Mayor

Speaker

Chief Whip

Executive committee

MF. Nkadineng

JM. Kock

SA. Manzini

KJ. Malepe

ET. Mabuza

IT. Mokoena

KJ. Malepe

SM. Phetla

SE. Van Douwe

RG. Herbst

JJ. Mkhize

PM. Mpholoane

KA. Letsane

MB. Mokoena

SG. Shongwe

NJ. Van Vuuren (resigned July 2019)

KK. Segodi

NM. Masimola

EK. Mabanne

Ward Councillors

Proportional Councillors

Grading of local authority

Low Capacity

Accounting Officer

SS. Matsi

Chief Financial Officer

MR. Mnisi

Registered office

Lydenburg  
Mpumalanga  
South Africa  
1120

Business address

Corner Viljoen & Sentraal Street  
Lydenburg  
Mpumalanga  
1120

Postal address

P.O Box 61  
Lydenburg  
1120

Bankers

Standard Bank of South Africa

Auditors

Auditor General South Africa

Legal form of entity

MP321 - Local Municipality

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

The following is included in the scope of operation

Thaba Chweu Local Municipality is a South African Category B Local Municipality as defined by the Municipal Structures Act.



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## General Information

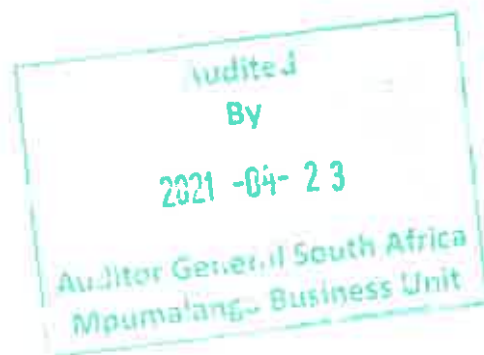
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The Municipality performs functions as set out in the Constitution. This means that the Municipality provides services such as electricity refuse removal and water and sanitation services.

### Jurisdiction

Lydenburg / Mashishing

Graskop, Pilgrim's Rest, Sabie, Matibidi, Moremela and Leroro Township



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Index

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

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### ACRONYMS USED

INEP	Integrated National Electrification Programme
AFS	Annual financial statements
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
TR	Treasury Regulation
AP	Accounting Policy
PPE	Property, plant and equipment
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Local Government: Municipal Finance Management Act, Act no 56 of 2003
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
WSIG	Water Services Infrastructure Grant



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Responsibilities and Approval

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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 the MFMA and 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 she 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 COVID-19 pandemic exposed the municipality to high level financial risks which drastically impacted the revenue collection (decline of 25%). In responding to the national lock down and disaster management directives, Thaba Chweu Local Municipality committed and reprioritised budget allocation amounting to R 23.5 million which as at 30 June 2020 expenditure in terms of this budget amounted to R11.2 million. The municipality would like to thank the local businesses and other stake holders who contributed in the form of PPE and sanitizers which assisted in preventing the spread of the virus within the municipal jurisdiction.

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 and going concern status for the year to 30 June 2021 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

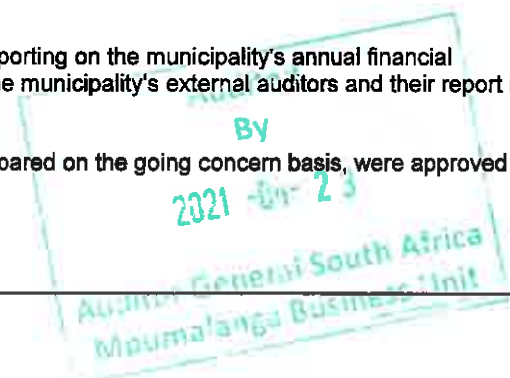
The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The accounting officer certify that salaries, allowances and benefits of councillors as disclosed in note 26 of these annual financial statements are within the Upper Limits of Government envisaged in section 219 of the Constitution read with Remuneration of Public Office Bearers Act, Act No 20 of 1998 and section 124 of the Municipal Finance Management Act, No 56 of 2003.

The external auditors are responsible for independently auditing 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

The annual financial statements set out on page , which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020.



## **Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

### **Accounting Officer's Responsibilities and Approval**

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**SS Matsi**

**Accounting Officer**



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	159 926 776	156 654 313
Other receivables from non-exchange transactions	5	5 512 724	5 974 696
VAT receivable	6	61 722 288	45 679 391
Consumer debtors	4	213 830 089	68 435 981
Cash and cash equivalents	7	6 036 773	38 757 908
		<b>447 028 650</b>	<b>315 502 289</b>
<b>Non-Current Assets</b>			
Investment property	9	122 308 365	113 689 384
Property, plant and equipment	8	961 123 609	926 871 739
Intangible assets	10	897 745	1 034 104
Heritage assets	11	360 338	360 338
		<b>1 084 690 057</b>	<b>1 041 955 565</b>
<b>Total Assets</b>		<b>1 531 718 707</b>	<b>1 357 457 854</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	943 994 653	749 384 581
Consumer deposits	13	4 322 645	4 264 892
Employee benefit obligation	15	2 270 572	5 389 650
Unspent conditional grants and receipts	14	3 085 910	-
Provisions	16	1 425 936	1 179 686
		<b>955 099 716</b>	<b>760 218 809</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	15	36 251 082	29 926 068
Provisions	16	31 129 684	29 621 509
		<b>67 380 766</b>	<b>59 547 577</b>
<b>Total Liabilities</b>		<b>1 022 480 482</b>	<b>819 766 386</b>
<b>Net Assets</b>		<b>509 238 225</b>	<b>537 691 468</b>
Accumulated surplus		509 238 232	537 691 466

Audited  
By  
2021-04-23  
Auditor General South Africa  
Mpumalanga Business Unit

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	269 502 955	207 871 662
Rental of facilities and equipment	20	1 700 247	1 702 979
Operational revenue	19	3 974 346	11 531 775
Interest revenue	18	16 149 590	17 169 274
Fair value adjustment on investment property		8 618 981	5 882 114
Actuarial gains		-	4 765 049
<b>Total revenue from exchange transactions</b>		<b>299 946 119</b>	<b>248 922 853</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	77 801 965	101 514 199
Property rates - penalties imposed	21	10 208 896	10 300 451
Licences and Permits (Non-exchange)		412 346	-
<b>Transfer revenue</b>			
Government grants & subsidies	22	217 772 910	208 649 189
Fines, Penalties and Forfeits	23	1 812 496	5 602 621
<b>Total revenue from non-exchange transactions</b>		<b>308 008 613</b>	<b>326 066 460</b>
<b>Total revenue</b>		<b>607 954 732</b>	<b>574 989 313</b>
<b>Expenditure</b>			
Employee related costs	26	(210 299 459)	(189 809 159)
Remuneration of councillors	27	(11 324 724)	(10 765 748)
Depreciation and amortisation	30	(51 235 402)	(51 976 390)
Reversal of impairments	34	-	(363)
Finance costs	32	(48 994 567)	(44 137 929)
Lease rentals on operating lease		(2 706 648)	(2 629 289)
Debt Impairment - Increase /(Decrease)	33	24 041 723	(61 256 513)
Bulk purchases	28	(133 851 500)	(139 527 159)
Contracted services	31	(82 112 645)	(73 764 269)
Transfers and Subsidies		(500 000)	-
Loss on disposal of assets and liabilities		(64 173)	(1 822 864)
Actuarial losses		(24 486)	-
Operating Expenses	29	(119 336 090)	(89 860 415)
<b>Total expenditure</b>		<b>(636 407 971)</b>	<b>(665 550 098)</b>
<b>Deficit for the year</b>		<b>(28 453 239)</b>	<b>(90 560 785)</b>

\* See Note 37

Audited  
By  
2021-04-23  
Auditor General South Africa  
Mpumalanga Business Unit



## Thaba Chweu Local Municipality

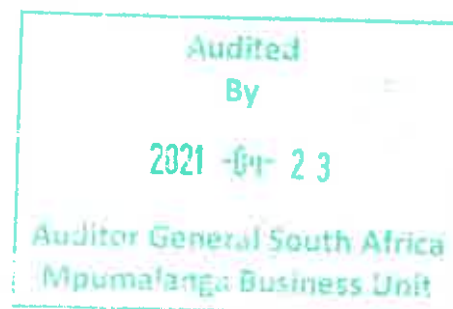
(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	626 698 965	626 698 965
Adjustments		
Prior year adjustments	1 553 286	1 553 286
<b>Balance at 01 July 2018 as restated*</b>	<b>628 252 251</b>	<b>628 252 251</b>
Changes in net assets		
Deficit for the year	(90 560 785)	(90 560 785)
<b>Total changes</b>	<b>(90 560 785)</b>	<b>(90 560 785)</b>
<b>Restated* Balance at 01 July 2019</b>	<b>537 691 471</b>	<b>537 691 471</b>
Changes in net assets		
Deficit for the year	(28 453 239)	(28 453 239)
<b>Total changes</b>	<b>(28 453 239)</b>	<b>(28 453 239)</b>
<b>Balance at 30 June 2020</b>	<b>509 238 232</b>	<b>509 238 232</b>

Note(s)



\* See Note 37

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		39 167 202	90 450 600
Sale of goods and services		192 745 768	237 824 849
Grants		217 296 090	208 095 770
Interest income		2 290 101	3 899 792
Other receipts		172 700 517	-
		624 199 678	540 271 011
<b>Payments</b>			
Employee costs		(219 096 079)	(198 553 013)
Suppliers		(350 456 277)	(256 725 344)
Finance costs		(2 497 491)	(5 588 303)
		(572 049 847)	(460 866 660)
<b>Net cash flows from operating activities</b>	44	<b>52 149 831</b>	<b>79 404 351</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(83 998 714)	(73 378 501)
Purchase of other intangible assets	10	(872 252)	(1 633 172)
Other cash item		-	28 560
<b>Net cash flows from investing activities</b>		<b>(84 870 966)</b>	<b>(74 983 113)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(32 721 135)</b>	<b>4 421 238</b>
Cash and cash equivalents at the beginning of the year		38 757 908	34 336 670
<b>Cash and cash equivalents at the end of the year</b>	7	<b>6 036 773</b>	<b>38 757 908</b>



\* See Note 37

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	267 436 000	(10 000 000)	257 436 000	269 502 955	12 066 955	
Rental of facilities and equipment	2 000 000	(1 500 000)	500 000	1 700 247	1 200 247	
Agency services	2 500 000	(2 500 000)	-	-	-	
Other income	30 852 000	-	30 852 000	3 974 346	(26 877 654)	
Interest revenue	5 000 000	(2 500 000)	2 500 000	16 149 590	13 649 590	
<b>Total revenue from exchange transactions</b>	<b>307 788 000</b>	<b>(16 500 000)</b>	<b>291 288 000</b>	<b>291 327 138</b>	<b>39 138</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	107 000 000	(17 000 000)	90 000 000	77 801 965	(12 198 035)	
Property rates - penalties imposed	-	-	-	10 208 896	10 208 896	
Licences and Permits (Non-exchange)	-	-	-	412 346	412 346	

##### Transfer revenue

Government grants & subsidies	219 786 000	596 000	220 382 000	217 772 910	(2 609 090)	
Fines, Penalties and Forfeits	2 495 826	-	2 495 826	1 812 496	(683 330)	
<b>Total revenue from non-exchange transactions</b>	<b>329 281 826</b>	<b>(16 404 000)</b>	<b>312 877 826</b>	<b>308 008 613</b>	<b>(4 869 213)</b>	

<b>Total revenue</b>	<b>637 069 826</b>	<b>(32 904 000)</b>	<b>604 165 826</b>	<b>599 335 751</b>	<b>(4 830 075)</b>	
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#### Expenditure

Employee related costs	(192 793 000)	-	(192 793 000)	(210 299 459)	(17 506 459)	
Remuneration of councillors	(11 787 027)	-	(11 787 027)	(11 324 724)	462 303	
Depreciation and amortisation	(61 999 999)	9 104 341	(52 895 658)	(51 235 402)	1 660 256	
Finance costs	(28 000 000)	-	(28 000 000)	(48 994 567)	(20 994 567)	
Lease rentals on operating lease	(3 240 000)	-	(3 240 000)	(2 706 648)	533 352	
Debt Impairment	(32 000 000)	(29 256 513)	(61 256 513)	24 041 723	85 298 236	
Bulk purchases	(194 634 974)	63 000 000	(131 634 974)	(133 851 500)	(2 216 526)	
Contracted Services	(83 150 000)	(26 071 078)	(109 221 078)	(82 112 645)	27 108 433	
Transfers and Subsidies	(1 000 000)	500 000	(500 000)	(500 000)	-	
General Expenses	(68 398 059)	(38 500 000)	(106 898 059)	(119 336 090)	(12 438 031)	
<b>Total expenditure</b>	<b>(677 003 059)</b>	<b>(21 223 250)</b>	<b>(698 226 309)</b>	<b>(636 319 312)</b>	<b>61 906 997</b>	

<b>Operating deficit</b>	<b>(39 933 233)</b>	<b>(54 127 250)</b>	<b>(94 060 483)</b>	<b>(36 983 561)</b>	<b>57 076 922</b>	
Loss on disposal of assets and liabilities	-	-	-	(64 173)	(64 173)	
Fair value adjustments	-	-	-	8 618 981	8 618 981	
Actuarial gains/losses	-	-	-	(24 486)	(24 486)	
	-	-	-	8 530 322	8 530 322	

<b>Deficit before taxation</b>	<b>(39 933 233)</b>	<b>(54 127 250)</b>	<b>(94 060 483)</b>	<b>(28 453 239)</b>	<b>65 607 244</b>	
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## Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(39 933 233)</b>	<b>(54 127 250)</b>	<b>(94 060 483)</b>	<b>(28 453 239)</b>	<b>65 607 244</b>	

Audited  
By  
2021-04-23  
Auditor General South Africa  
Mpumalanga Business Unit

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	156 654 313	-	156 654 313	159 926 776	3 272 463
Other receivables from non-exchange transactions	-	-	-	5 512 724	5 512 724
VAT receivable	-	-	-	74 294 406	74 294 406
Consumer debtors	132 531 573	(104 870 602)	27 660 971	213 830 089	186 169 118
Other Debtors	51 654 087	-	51 654 087	-	(51 654 087)
Cash and cash equivalents	20 969 593	49 820 518	70 790 111	6 036 773	(84 753 338)
	<b>361 809 566</b>	<b>(55 050 084)</b>	<b>306 759 482</b>	<b>459 600 768</b>	<b>152 841 286</b>

##### Non-Current Assets

Investment property	113 689 384	-	113 689 384	122 308 365	8 618 981
Property, plant and equipment	934 718 174	(5 771 377)	928 946 797	961 123 609	32 176 812
Intangible assets	1 034 104	-	1 034 104	897 745	(136 359)
Heritage assets	360 339	-	360 339	360 338	(1)
	<b>1 049 802 001</b>	<b>(5 771 377)</b>	<b>1 044 030 624</b>	<b>1 084 690 057</b>	<b>40 659 433</b>

<b>Total Assets</b>	<b>1 411 611 567</b>	<b>(60 821 461)</b>	<b>1 350 790 106</b>	<b>1 544 290 825</b>	<b>193 500 719</b>
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	135 750 795	(6 694 211)	129 056 584	943 994 653	814 938 069
VAT payable	-	-	-	12 572 118	12 572 118
Consumer deposits	4 264 892	-	4 264 892	4 322 645	57 753
Employee benefit obligation	-	-	-	2 270 572	2 270 572
Unspent conditional grants and receipts	-	-	-	3 085 910	3 085 910
Provisions	6 569 672	-	6 569 672	1 425 936	(5 143 736)
	<b>146 585 359</b>	<b>(6 694 211)</b>	<b>139 891 148</b>	<b>967 671 834</b>	<b>827 780 686</b>

##### Non-Current Liabilities

Employee benefit obligation	-	-	-	36 251 082	36 251 082
Provisions	680 009 695	-	680 009 695	31 129 684	(648 880 011)
	<b>680 009 695</b>	<b>-</b>	<b>680 009 695</b>	<b>67 380 766</b>	<b>(612 628 929)</b>

<b>Total Liabilities</b>	<b>826 595 054</b>	<b>(6 694 211)</b>	<b>819 900 843</b>	<b>1 035 052 600</b>	<b>215 151 757</b>
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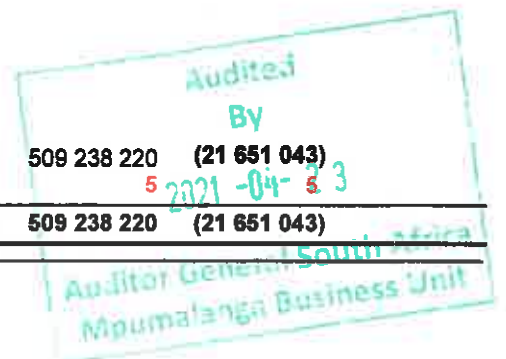
<b>Net Assets</b>	<b>585 016 513</b>	<b>(54 127 250)</b>	<b>530 889 263</b>	<b>509 238 225</b>	<b>(21 651 038)</b>
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	585 016 513	(54 127 250)	530 889 263	509 238 220	(21 651 043)
Undefined Difference	-	-	-	-	-
<b>Total Net Assets</b>	<b>585 016 513</b>	<b>(54 127 250)</b>	<b>530 889 263</b>	<b>509 238 220</b>	<b>(21 651 043)</b>



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates	84 700 000	68 492 772	153 192 772	39 167 202	(114 025 570)
Service charges	211 700 625	(33 287 024)	178 413 601	192 745 768	14 332 167
Grants	219 786 000	596 000	220 382 000	217 296 090	(3 085 910)
Interest income	24 533 355	3 334 636	27 867 991	2 290 101	(25 577 890)
Other revenue	13 480 000	46 654 087	60 134 087	198 815 978	138 681 891
	554 199 980	85 790 471	639 990 451	650 315 139	10 324 688

##### Payments

Employee costs and suppliers	(552 002 674)	(603 631 530)	1 155 634 204	(598 644 847)	556 989 357
Finance costs	(28 000 000)	-	(28 000 000)	-	28 000 000
Transfers and grants	(1 000 000)	500 000	(500 000)	-	500 000
	(581 002 674)	(603 131 530)	1 184 134 204	(598 644 847)	585 489 357

<b>Net cash flows from operating activities</b>	<b>(26 802 694)</b>	<b>(517 341 059)</b>	<b>(544 143 753)</b>	<b>51 670 292</b>	<b>595 814 045</b>
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#### Cash flows from investing activities

Purchase of property, plant and equipment	-	(813 058 720)	(813 058 720)	(84 391 427)	728 667 293
Receipts	4 000 000	-	4 000 000	-	(4 000 000)

<b>Net cash flows from investing activities</b>	<b>4 000 000</b>	<b>(813 058 720)</b>	<b>(809 058 720)</b>	<b>(84 391 427)</b>	<b>724 667 293</b>
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<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(22 802 694)</b>	<b>(1 330 399 779)</b>	<b>(1 353 202 473)</b>	<b>(32 721 135)</b>	<b>1 320 481 338</b>
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Cash and cash equivalents at the beginning of the year	34 336 670	-	34 336 670	38 757 908	4 421 238
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<b>Cash and cash equivalents at the end of the year</b>	<b>11 533 976</b>	<b>(1 330 399 779)</b>	<b>(1 318 865 803)</b>	<b>6 036 773</b>	<b>1 324 902 576</b>
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Audited  
By  
2021-04-23  
Auditor General South Africa  
Mpumalanga Business Unit

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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.

These accounting policies are consistent with the previous year.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### **Allowance for slow moving, damaged and obsolete stock**

An assessment is made of net realisable value at the end of each reporting period. Any write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

##### **Impairment testing**

The recoverable service amounts of assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that key assumptions assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The value in use calculation is based on the depreciated replacement cost of the asset. All assets of the municipality are deemed to be non-cash generating assets.

##### **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 16 - Provisions.

##### **Useful lives of tangible assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the tangible assets. This estimate is based on industry norm. Management will adjust the depreciation charge where useful lives are different to the previously estimated useful lives.

Changes in estimates are accounted for prospectively using accumulative catch-up of past depreciation.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

#### Effective interest rate

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

#### Allowance for doubtful debts

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

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non-exchange receivables.

#### Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

#### Budget information

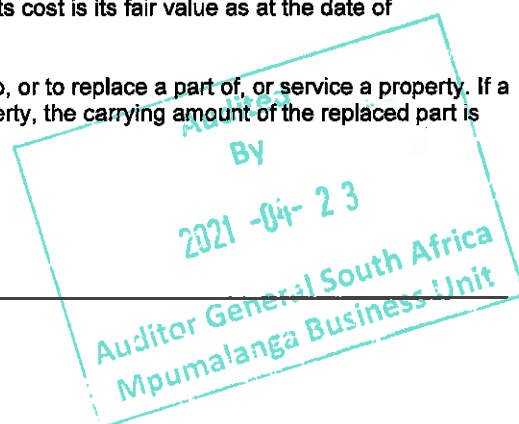
A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

### 1.4 Investment property

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.





# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.4 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 municipality 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 municipality 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 municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality 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.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

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

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

### 1.5 Property, plant and equipment

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, its deemed cost is the carrying amount of the asset(s) given up.

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.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

### 1.5 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
Landfill sites	Straight line	4 - 17 years
Land and buildings	Straight line	5 - 50 years
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	5 - 15 years
Motor vehicles	Straight line	4 - 20 years
Office equipment	Straight line	5 - 15 years
Computer software	Straight line	5 - 15 years
Infrastructure	Straight line	3 - 100 years
Community	Straight line	5 - 50 years

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

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

The 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

### 1.7 Intangible assets

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.

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.

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

Item	Depreciation method	Average useful life
Computer software and infrastructure/systems	Straight line	1-3 years

Intangible assets are derecognised:

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

### 1.8 Heritage assets

#### Recognition

#### 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.

#### 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.

By  
2021-04-23  
Auditor General South Africa  
Accounting Business Unit

## **Thaba Chweu Local Municipality**

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

### **Accounting Policies**

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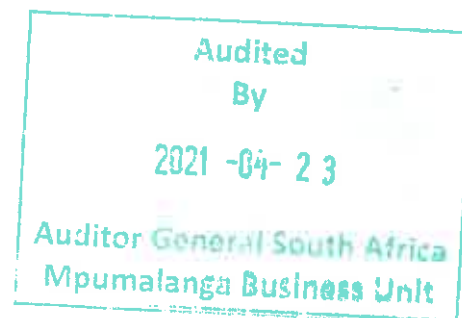
#### **1.8 Heritage assets (continued)**

##### **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).

#### **1.9 Financial instruments**



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.9 Financial Instruments (continued)

#### Classification

The municipality 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
Other financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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

The municipality 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.



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

#### Derecognition

##### Financial liabilities

The municipality 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.

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 municipality 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).

# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.10 Statutory receivables

#### Identification

##### Utilisation of transitional provisions:

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

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

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

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

### 1.11 Leases

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

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

#### Operating leases - 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.

### 1.12 Inventories

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

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

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

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



# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.12 Inventories (continued)

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.13 Impairment of non-cash-generating assets

#### 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.

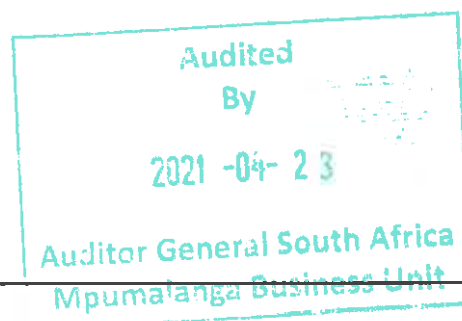
An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective 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

All tangible assets of the municipality are deemed to be non-cash generating assets.

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.





# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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

#### Value in use

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

#### 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 oversized or overcapacity asset. Oversized 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.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

#### Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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 non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.14 Employee benefits

#### 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.



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### 1.14 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### 1.14 Employee benefits (continued)

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

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

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

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

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

### 1.15 Provisions and contingencies

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

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

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

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

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

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

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

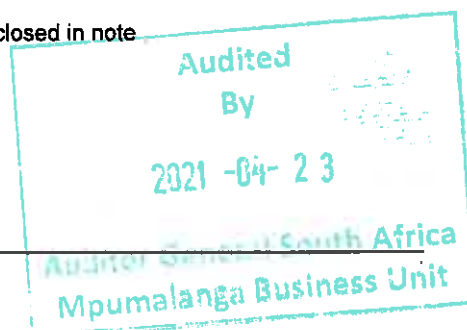
Provisions are not recognised for future operating surplus (deficit).

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

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

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

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



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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 and 1.13.

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.

### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

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

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



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### 1.17 Revenue from exchange transactions (continued)

#### 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 surveys of work performed.

#### Interest

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

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

### 1.18 Revenue from non-exchange transactions

#### Recognition

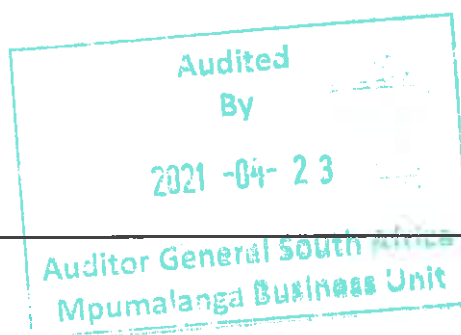
An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

#### Measurement

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

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



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### 1.18 Revenue from non-exchange transactions (continued)

#### Transfers

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

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

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

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### 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.

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

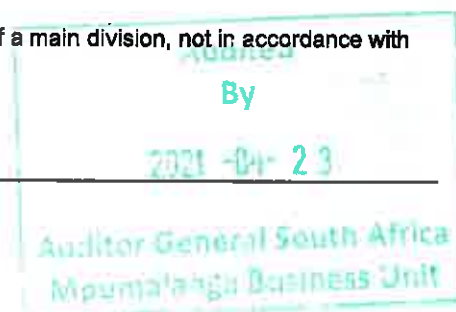
### 1.19 Comparative amounts

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

### 1.20 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.



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## Accounting Policies

### 1.20 Unauthorised expenditure (continued)

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.

### 1.21 Fruitless and wasteful expenditure

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

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

### 1.22 Irregular expenditure

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

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

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

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

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

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

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

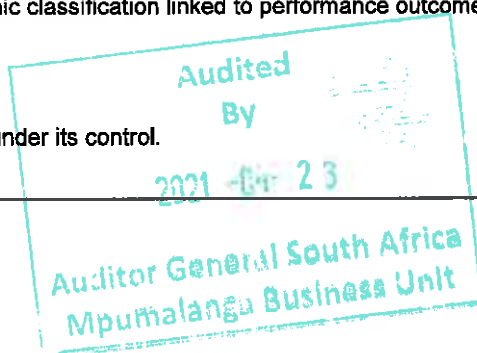
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular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

### 1.23 Budget Information

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

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

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





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### 1.23 Budget information (continued)

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

### 1.24 Related parties

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.

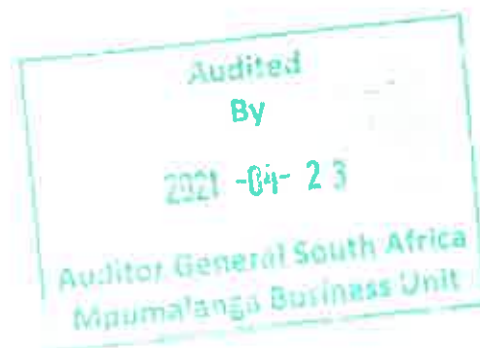
### 1.25 Events after reporting date

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.

### 1.26 Value Added Tax

The municipality accounts for VAT on the payment basis.



# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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### 2. New standards and interpretations

#### 2.1 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 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

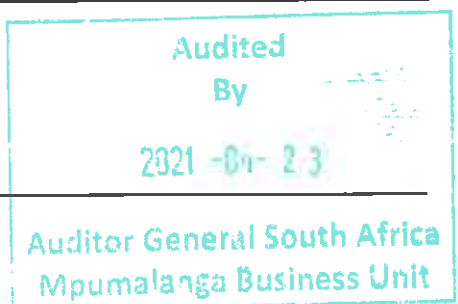
The municipality expects to adopt the interpretation for the first time in the 2019/2019 annual financial statements.

### 3. Inventories

Consumable stores	5 136 859	2 102 474
Water for distribution	278 241	40 163
Unsold Properties Held for Resale	154 511 676	154 511 676
	<b>159 926 776</b>	<b>156 654 313</b>

#### Inventory pledged as security

During the year no inventory was pledged as security.



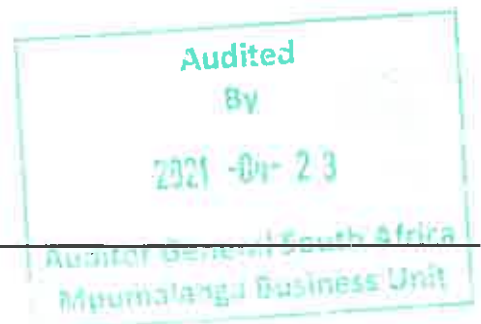
# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	160 703 930	128 660 809
Electricity	81 058 469	57 407 942
Water	121 094 751	80 405 888
Sewerage	39 673 517	29 920 050
Refuse	40 614 561	29 083 075
Housing rental	8 758 528	6 963 417
Other (Sundry services)	3 315 402	10 044 692
	<b>455 219 158</b>	<b>342 485 873</b>
<b>Less: Allowance for impairment</b>		
Rates	(137 021 011)	(100 940 586)
Electricity	(11 784 766)	(45 467 120)
Water	(27 184 610)	(65 118 128)
Sewerage	(10 823 547)	(25 051 439)
Refuse	(39 644 558)	(24 181 631)
Housing rental	(8 686 821)	(6 540 954)
Other (Sundry services)	(6 243 756)	(6 750 034)
	<b>(241 389 069)</b>	<b>(274 049 892)</b>
<b>Net balance</b>		
Rates	23 682 919	27 720 223
Electricity	69 273 703	11 940 822
Water	93 910 141	15 287 760
Sewerage	28 849 970	4 868 611
Refuse	970 003	4 901 444
Housing rental	71 707	422 463
Other (Sundry services)	(2 928 354)	3 294 658
	<b>213 830 089</b>	<b>68 435 981</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	16 860 120	11 940 823
Water	20 996 715	15 287 759
Sewerage	5 724 438	4 863 796
Refuse	5 991 744	4 901 444
Other (Sundry services)	275 774	115 083
Housing rental	531 369	422 463
	<b>50 380 160</b>	<b>37 531 368</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	34 103 391	27 719 962
<b>Net balance</b>	<b>84 483 551</b>	<b>65 251 330</b>



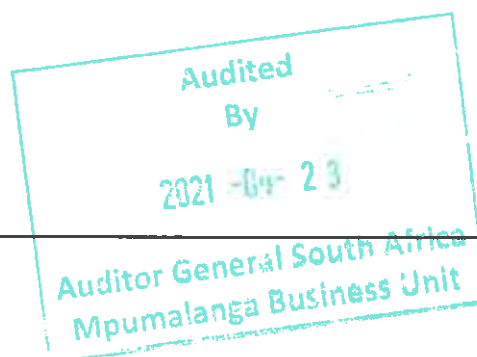
# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Consumer debtors (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	12 026 790	6 688 367
31 - 60 days	4 866 295	2 763 412
61 - 90 days	4 109 336	2 578 391
91 - 120 days	3 636 371	2 467 443
> 121 days	136 065 137	114 162 934
Less Impairment	(137 021 010)	(100 940 324)
	<b>23 682 919</b>	<b>27 720 223</b>
<b>Electricity</b>		
Current (0 -30 days)	11 270 405	6 962 432
31 - 60 days	4 888 205	2 146 944
61 - 90 days	3 475 059	1 334 167
91 - 120 days	2 743 780	1 353 453
> 121 days	58 681 021	45 610 946
Less Impairment	(11 784 767)	(45 467 120)
	<b>69 273 703</b>	<b>11 940 822</b>
<b>Water</b>		
Current (0 -30 days)	9 565 241	4 694 657
31 - 60 days	3 402 205	2 336 922
61 - 90 days	4 074 015	1 957 454
91 - 120 days	2 437 034	1 821 462
> 121 days	101 616 257	69 595 394
Less Impairment	(27 184 611)	(65 118 129)
	<b>93 910 141</b>	<b>15 287 760</b>
<b>Sewerage</b>		
Current (0 -30 days)	2 777 317	1 401 039
31 - 60 days	1 132 878	755 242
61 - 90 days	1 072 019	710 432
91 - 120 days	977 285	655 557
> 121 days	33 714 018	26 392 965
Less Impairment	(10 823 547)	(25 046 624)
	<b>28 849 970</b>	<b>4 868 611</b>
<b>Refuse</b>		
Current (0 -30 days)	3 310 359	1 852 109
31 - 60 days	1 335 007	840 014
61 - 90 days	1 252 143	765 146
91 - 120 days	1 133 006	699 260
> 121 days	33 584 048	24 926 546
Less Impairment	(39 644 560)	(24 181 631)
	<b>970 003</b>	<b>4 901 444</b>



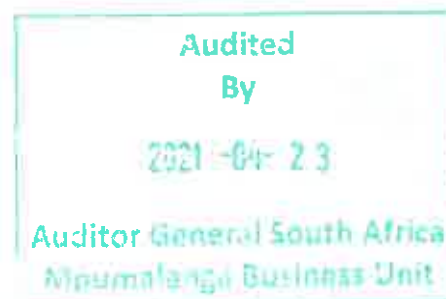
# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Consumer debtors (continued)</b>		
<b>Housing rental</b>		
Current (0 -30 days)	387 468	154 998
31 - 60 days	188 120	131 987
61 - 90 days	189 774	129 155
91 - 120 days	173 996	127 667
> 121 days	7 819 169	6 419 611
Less Impairment	(8 686 820)	(6 540 955)
	<b>71 707</b>	<b>422 463</b>
<b>Other (sundries)</b>		
Current (0 -30 days)	141 218	103 477
31 - 60 days	25 809	39 898
61 - 90 days	34 066	36 317
91 - 120 days	36 828	35 975
> 121 days	7 199 338	9 829 275
Less Impairment	(10 365 613)	(6 750 284)
	<b>(2 928 354)</b>	<b>3 294 658</b>



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	20 906 372	9 989 780
31 - 60 days	7 777 515	4 278 753
61 - 90 days	7 975 062	3 590 701
91 - 120 days	6 146 352	3 457 779
> 121 days	185 084 088	139 300 706
	227 889 389	160 617 719
Less: Allowance for impairment	(185 975 202)	(146 438 111)
	<b>41 914 187</b>	<b>14 179 608</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	17 498 705	10 042 833
31 - 60 days	7 728 803	3 599 353
61 - 90 days	6 035 009	2 870 628
91 - 120 days	4 849 264	2 596 193
>121 days	187 593 712	111 272 831
	223 705 493	130 381 838
Less: Allowance for impairment	(182 560 823)	(118 252 890)
	<b>41 144 670</b>	<b>12 128 948</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 312 635	1 824 467
31 - 60 days	332 199	1 136 312
61 - 90 days	196 341	1 049 733
91 - 120 days	142 683	1 106 844
> 121 days	5 762 273	46 368 949
	7 746 131	51 486 305
Less: Allowance for impairment	(6 321 437)	(9 358 890)
	<b>1 424 694</b>	<b>42 127 415</b>
<b>Total</b>		
Current (0 -30 days)	39 770 451	21 857 080
31 - 60 days	15 838 517	9 014 419
61 - 90 days	14 206 412	7 511 062
91 - 120 days	11 138 300	7 160 815
> 121 days	379 560 430	296 942 496
	460 514 110	342 485 872
Less: Allowance for impairment	(246 684 021)	(274 049 891)
	<b>213 830 089</b>	<b>68 435 981</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(27 792 751)	(17 653 725)
31 - 60 days	(8 202 866)	(7 280 847)
61 - 90 days	(9 844 687)	(6 066 603)
91 - 120 days	(8 202 866)	(5 783 712)
121 - 365 days	(187 345 899)	(237 265 005)
	<b>(241 389 069)</b>	<b>(274 049 892)</b>
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	10 040 919	4 203 355

# Thaba Chweu Local Municipality

(Registration number MP321)

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Consumer debtors (continued)</b>		
31 - 60 days	7 635 872	1 733 571
61 - 90 days	4 367 370	1 444 459
91 - 120 days	2 941 111	1 377 103
121 - 365 days	58 089 137	56 492 841
	<b>83 074 409</b>	<b>65 251 329</b>

### Reconciliation of allowance for impairment

Balance at beginning of the year	(274 049 892)	(224 989 080)
(Contributions)/reduction to allowance	32 660 823	(49 060 812)
	<b>(241 389 069)</b>	<b>(274 049 892)</b>

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note ). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

### 5. Other receivables from non-exchange transactions

Fines	734 548	1 197 579
Other receivables from non-exchange revenue	4 778 176	4 777 117
	<b>5 512 724</b>	<b>5 974 696</b>

### Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security for overdraft facilities.

### Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

### Other receivables from non-exchange transactions impaired

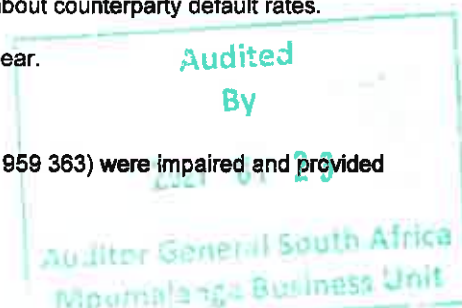
As of 30 June 2020, other receivables from non-exchange transactions of R - (2019: R 5 959 363) were impaired and provided for.

The amount of the provision was R - as of 30 June 2020 (2019: R 5 959 363).

The ageing of these loans is as follows:

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note ). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 6. VAT receivable

VAT	61 722 288	45 679 391
-----	------------	------------

No interest is payable to SARS if the VAT is paid over timeously. Interest for late payments is charged according to SARS policy.

The Municipality has financial risk policies in place to ensure that payments are effected before its due date.

The municipality accounts for VAT on the payments basis. All VAT 201 forms were filed during the financial year.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

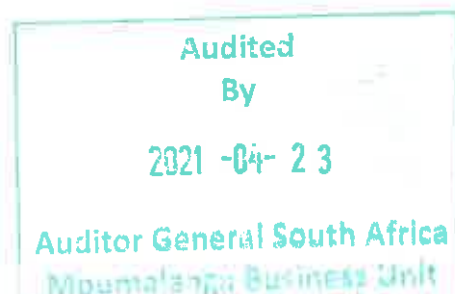
Bank balances	3 272 839	4 721 965
Short-term deposits	2 763 934	34 035 943
	<b>6 036 773</b>	<b>38 757 908</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Absa Lydenburg (10-1000-0218)	1 864 045	3 214 270	274 953	1 864 045	3 214 270	274 953
Absa Thaba Chweu Projects (40-8177-4894)	2 898	5 571	8 036	2 898	5 571	8 036
Absa Sabie (40-5826-4705)	567 251	339 690	170 912	567 251	339 690	170 912
Standard Bank-Ringfence Electricity (488-610-621-004)	8 873	1 180 717	9 922 670	8 873	1 180 717	9 922 670
Standard Bank - Primary Account (24-320-336-5)	837 274	1 094 820	5 779 736	837 274	1 072 820	5 779 736
Standard Bank - Traffic (250-970-627-000)	4 267	95 209	47 587	4 267	95 209	47 587
Standard bank Call - Post Office (488-610-621-001)	111 706	105 423	64 687	111 706	105 423	64 687
Standard Bank MIG - Call (488-610-621-002)	261 627	16 295 962	12 514 237	261 627	16 295 962	12 514 237
Standard Bank MWIG - Call (488-610-621-003)	73 251	840 419	5 553 851	73 251	840 419	5 553 851
Standard Bank - Call (7 488610621 - 007)	2 305 579	15 607 851	-	2 305 579	15 607 851	-
<b>Total</b>	<b>6 036 771</b>	<b>38 779 932</b>	<b>34 336 669</b>	<b>6 036 771</b>	<b>38 757 932</b>	<b>34 336 669</b>





# Thaba Chweu Local Municipality

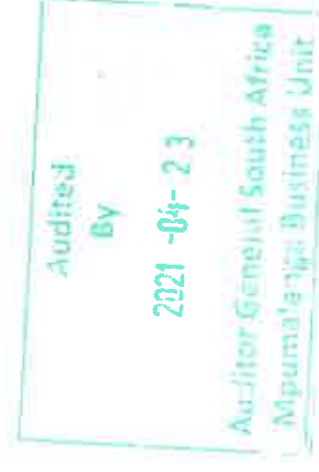
(Registration number MP321)  
Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Buildings	71 539 005	(29 807 919)	41 731 086	71 539 005	(29 807 919)	41 731 086
Land	17 926 709	-	17 926 709	17 926 709	-	17 926 709
Plant and machinery	5 944 134	(2 976 161)	2 967 973	4 628 980	(2 860 998)	1 767 982
Furniture and fixtures	2 428 970	(121 158)	2 307 812	5 819 625	(3 399 644)	2 419 981
Motor vehicles	22 128 731	(3 732 447)	18 396 284	22 128 752	(3 673 847)	18 454 905
Office equipment	5 668 868	(4 632 210)	1 036 658	2 219 891	(1 140 938)	1 078 953
IT equipment	6 066 987	(1 990 003)	4 076 984	4 706 857	(1 689 472)	3 017 385
Infrastructure	1 032 230 989	(322 143 690)	710 087 299	965 867 173	(283 650 650)	682 216 523
Community	161 120 654	(65 883 918)	95 236 736	153 359 123	(60 768 758)	92 590 365
Other PPE WIP	53 251 429	-	53 251 429	52 397 504	-	52 397 504
Landfill site	43 984 151	(29 879 512)	14 104 639	39 422 380	(26 152 034)	13 270 346
<b>Total</b>	<b>1 422 290 627</b>	<b>(461 167 018)</b>	<b>961 123 609</b>	<b>1 340 015 999</b>	<b>(413 144 260)</b>	<b>926 871 739</b>



# Thaba Chweu Local Municipality

(Registration number MP321)  
Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	41 731 086	-	-	-	-	41 731 086
Land	17 926 709	-	-	-	-	17 926 709
Plant and machinery	1 767 982	1 377 495	(19 582)	-	(157 922)	2 967 973
Furniture and fixtures	2 419 981	69 899	(19 669)	-	(162 399)	2 307 812
Motor vehicles	18 454 905	-	(7)	-	(58 614)	18 396 284
Office equipment	1 078 953	63 150	(3 624)	-	(101 821)	1 036 658
IT equipment	3 017 385	1 423 845	(21 291)	-	(342 955)	4 076 984
Infrastructure	682 216 523	2 060 562	-	64 303 254	(38 493 040)	710 087 299
Community	92 590 365	47 715	-	7 713 816	(5 115 160)	95 236 736
Other property, plant and equipment WIP	52 397 504	78 163 086	-	(77 309 161)	-	53 251 429
Landfill site	13 270 346	792 962	-	3 768 809	(3 727 478)	14 104 639
	<b>926 871 739</b>	<b>83 998 714</b>	<b>(64 173)</b>	<b>(1 523 282)</b>	<b>(48 159 389)</b>	<b>961 123 609</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Revaluations	Depreciation	Total
Buildings	44 711 878	-	-	-	-	(2 980 792)	41 731 086
Land	17 926 709	-	-	-	-	-	17 926 709
Plant and machinery	3 538 228	41 031	(1 625 015)	-	-	(186 262)	1 767 982
Furniture and fixtures	2 345 321	243 697	(23 408)	-	-	(145 629)	2 419 981
Motor vehicles	15 171 340	4 246 425	(200 020)	-	-	(762 840)	18 454 905
Office equipment	1 153 839	50 280	(26 557)	-	-	(98 609)	1 078 953
IT equipment	1 058 341	2 057 513	(4 827)	-	-	(93 642)	3 017 385
Infrastructure	659 021 938	3 030 671	-	56 242 222	-	(36 078 308)	682 216 523
Community	98 651 666	-	-	-	-	(6 061 301)	92 590 365
Other property, plant and equipment (WIP)	44 930 842	63 708 884	-	(56 242 222)	-	-	52 397 504
Landfill site	24 512 859	-	-	-	(6 300 358)	(4 942 155)	13 270 346
	<b>913 022 961</b>	<b>73 378 501</b>	<b>(1 879 827)</b>	<b>-</b>	<b>(6 300 358)</b>	<b>(51 349 538)</b>	<b>926 871 739</b>

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# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 8. Property, plant and equipment (continued)

#### Depreciation rates

Land	Straight-line	Indefinite
Buildings	Straight-line	5 - 50 years
Landfill sites	Straight-line	4 - 19 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	4 - 20 years
Office equipment	Straight-line	5 - 15 years
Computer software	Straight-line	1 - 15 years
Infrastructure	Straight-line	3 - 100 years
Community	Straight-line	5 - 50 years

#### Reconciliation of Work-in-Progress 2020

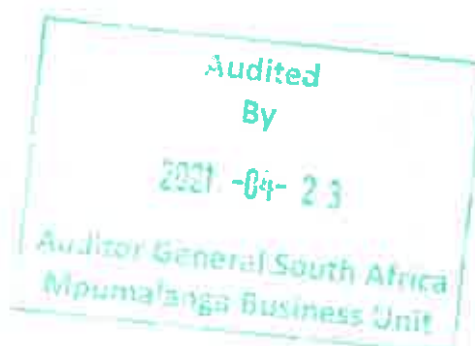
	Included within Infrastructure	Included within Community	Total
Opening balance	38 010 475	14 387 029	52 397 504
Additions/capital expenditure	66 816 427	11 346 660	78 163 086
Transferred to completed items	(64 208 932)	(13 100 229)	(77 309 160)
	<b>40 617 970</b>	<b>12 633 460</b>	<b>53 251 430</b>

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	42 290 611	-	2 640 232	44 930 843
Additions/capital expenditure	43 269 340	13 676 752	6 762 792	63 708 884
Transferred to completed items	(56 242 222)	-	-	(56 242 222)
	<b>29 317 729</b>	<b>13 676 752</b>	<b>9 403 024</b>	<b>52 397 505</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

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.



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 9. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	122 308 365	-	122 308 365	113 689 384	-	113 689 384

#### Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	113 689 384	8 618 981	122 308 365

#### Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	107 807 270	5 882 114	113 689 384

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. Thaba Chweu local municipality has fair valued its investment properties using Comparable Sales method and Gross Replacement Method to establish market values for each property as at 30 June 2020.

Thaba Chweu Local Municipality has lost control of certain vacant land registered in the name of the municipality. Although the municipality currently hold title deeds permanent structures were erected on these properties.

#### The properties affected as follows:

Agricultural Farms	7	7
Business Informal	33	33
Creshes	5	5
Hospital/clinic	2	2
Informal Housing	983	983
Occupied	937	937
Unregistered township	2	2
Schools	10	10
Churches	12	12
	<b>1 991</b>	<b>1 991</b>

### 10. Intangible assets

	2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 809 854	(1 912 109)	897

# Thaba Chweu Local Municipality

(Registration number MP321)  
Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Intangible assets (continued)

#### Reconciliation of Intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 034 104	872 252	(1 008 611)	897 745

#### Reconciliation of Intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	1 633 172	(599 068)	1 034 104



# Thaba Chweu Local Municipality

(Registration number MP321)  
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## Notes to the Annual Financial Statements

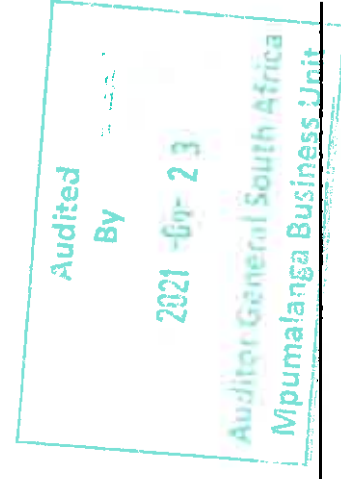
Figures in Rand

### 11. Heritage assets

	2020		2019	
	Cost / Valuation	Accumulated Carrying value Impairment losses	Cost / Valuation	Accumulated Carrying value Impairment losses
Art Collections, antiquities and exhibits	360 338	-	360 338	-
<b>Reconciliation of heritage assets 2020</b>				
Art Collections, antiquities and exhibits			360 338	360 338
<b>Reconciliation of heritage assets 2019</b>				
Art Collections, antiquities and exhibits			360 338	360 338

### 12. Payables from exchange transactions

Trade payables	864 834 955	700 934 291
Payments received in advanced - Trade Receivables	14 743 129	9 866 495
Eskom	(7)	-
Accrued leave pay	21 260 401	15 911 413
Accrued bonus	5 726 173	4 679 397
Retentions	10 578 882	8 462 696
Other Payables	15 263 638	7 297 978
Unallocated deposits	11 587 475	2 232 311



## Thaba Chweu Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>13. Consumer deposits</b>		
Electricity	4 753 221	4 264 892
Water	(430 576)	-
	<b>4 322 645</b>	<b>4 264 892</b>

Consumer deposits are paid by consumers on application of new electricity connections. The deposits are repaid when the electricity connections are terminated.

In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid by the municipality on consumer deposits held.

#### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

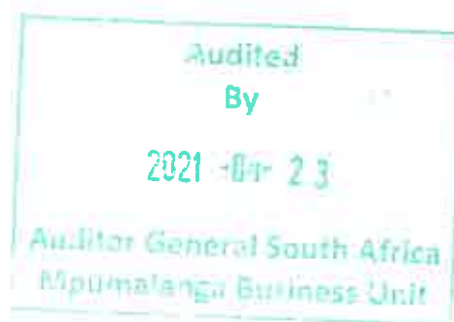
<b>Unspent conditional grants and receipts</b>		
Dept of Minerals and Energy		-
Water Services Infrastructure Grant (WSIG)	3 085 910	-
	<b>3 085 910</b>	<b>-</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

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

These amounts are invested in a ring-fenced investment until utilised.





# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 15. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method. The projected liability is based on actuarial assumptions about the future. The liability for in-service members is accrued over their expected working lifetimes.

At the valuation date of 30 June 2020, membership of health care arrangements entitled to a post-employment medical aid subsidy was 259 in-service members (employees) and 19 continuation members (retirees and widows).

##### Post retirement gratuity plan

The municipality has an obligation in respect of the entitlement of employees to long service awards (LSA). The LSA is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

There are 457 employees that are currently entitled to Long Service Awards. The average age of employees eligible for long service bonus awards as at 30 June 2020 is 44.10 years and the average past service years as at 30 June 2020 is 11.71 years.

The Municipality offers employees bonuses for every 5 years of completed service from 5 to 45 years.

In accordance with the requirements of GRAP25, 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.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(8 448 000)	(27 983 799)
Present value of the long service award obligation-wholly funded	(26 867 718)	(9 459 000)
Decrease / (Increase) in defined benefit obligation	(2 067 881)	1 116 081
Decrease / (Increase) in long service award obligation	(1 138 055)	1 011 000
	<b>(38 521 654)</b>	<b>(35 315 718)</b>
Non-current liabilities	(36 251 082)	(29 926 068)
Current liabilities	(2 270 572)	(5 389 650)
	<b>(38 521 654)</b>	<b>(35 315 718)</b>

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

Opening balance	(26 867 718)	(27 983 799)
Current service cost	(1 166 223)	(1 223 172)
Current interest cost	(2 736 427)	(2 718 128)
Medical contribution subsidies for continuation pensioners	1 263 200	1 111 332
Actuarial (gain)/loss for the year	571 569	3 946 049
Net expense recognised in the statement of financial performance	3 205 936	-
	<b>(25 729 663)</b>	<b>(26 867 718)</b>

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>15. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost - defined benefit plan	(96 977)	111 840
Current service cost - long service awards	(169 000)	829 000
Interest cost - defined benefit plan	2 736 427	2 718 128
Interest cost - long service awards	711 000	764 000
Actuarial (gains) losses - defined benefit plan	(571 569)	(3 946 049)
Actuarial (gains) losses - long service awards	596 055	(819 000)
	<b>3 205 936</b>	<b>(342 081)</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – defined benefit plan	(571 569)	(3 946 049)
Actuarial (gains) losses – long service awards	596 055	(819 000)
	<b>24 486</b>	<b>(4 765 049)</b>
<b>Changes in the present value of the long service award obligation are as follows:</b>		
Opening balance	(8 448 000)	(9 459 000)
Current service cost	(776 000)	(829 000)
Current interest cost	(711 000)	(764 000)
Actuarial gains for the financial year	(596 055)	819 000
Benefits paid	945 000	1 785 000
	<b>(9 586 055)</b>	<b>(8 448 000)</b>

The municipality expects to contribute R 1 345 823 to its defined benefit plans in the following financial year.



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 15. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate [D] - Defined Benefit Plan	12,92 %	10,43 %
Discount rate (D) - Long Service Awards	8,38 %	8,10 %
General salary inflation rate - Long term	4,31 %	5,38 %
Health care cost inflation [H]	8,70 %	7,82 %
Consumer Price Inflation [C] - Defined benefit plan	7,20 %	6,32 %
Consumer Price Inflation [C] - Long service awards	3,31 %	4,38 %
Defined benefit plan - Net discount rate - $[(1+D)/(1+H)-1]$	3,88 %	2,42 %
Long service awards - Net discount rate	3,90 %	2,58 %

Defined benefit plan - Explanation of assumptions used.

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age.

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 for setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2019 the duration of liabilities was 13.30 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 12.92% per annum, and the yield on the inflationlinked bonds of a similar term was about 4.87% per annum, implying an underlying expectation of inflation of 7.20% per annum  $[(1 + 12.92\% - 0.5\%) / (1 + 4.87\%) - 1]$

A health care cost inflation rate of 8.70% 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 health care inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.88% per annum  $[(1 + 12.92\%) / (1 + 8.70\%) - 1]$ . This year's valuation basis is, therefore, stronger than previous year's basis from a discount rate perspective.

The demographic and decrement assumptions were consistent in the previous and current valuation period. The normal retirement age and fully accrued age is 63.

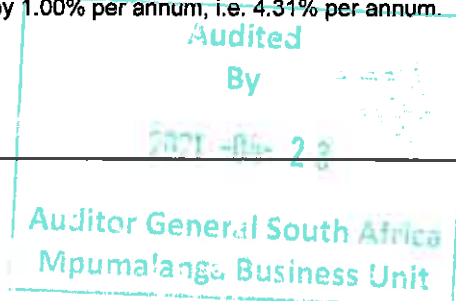
The actuarial consultant have assumed the continuation of the post-employment health care subsidy would be at 100% of active employees or their surviving dependents

Long service awards - Explanation of assumptions used.

As stipulated above, GRAP 25 requires that the discount rate used should be derived from government bond yields consistent with the estimated term and the currency of the employee benefit liabilities.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2019 the duration of liabilities was 6.38 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 8.38% per annum, and the yield on inflation-linked bonds of a similar term was about 4.41% per annum. This implies an underlying expectation of inflation of 3.31% per annum  $[(1 + 8.38\% - 0.5\%) / (1 + 4.41\%) - 1]$ .

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.31% per annum.



# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 15. Employee benefit obligations (continued)

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 3.90% per annum  $((1 + 8.38\%) / [1 + 4.31\%] - 1)$ .

-The basis on which the discount rate has been determined is as follow:

-Normal retirement age (years) 63 and Mortality SA85-90

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	5 503 785	7 161 896
Effect on defined benefit obligation	34 314 308	43 604 066

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	28 935 599	26 867 718	27 983 799	29 929 309
Long term service award obligation	9 586 055	8 448 000	10 122 000	8 485 000



## Thaba Chweu Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

2020

2019

#### 16. Provisions

##### Reconciliation of provisions - 2020

	Opening Balance	Additions	Unwinding of discount	Total
Environmental rehabilitation	30 801 195	574 739	1 179 686	32 555 620

##### Reconciliation of provisions - 2019

	Opening Balance	Additions	Unwinding of discount	Total
Environmental rehabilitation	35 898 939	(6 300 358)	1 202 614	30 801 195
Non-current liabilities			31 129 684	29 621 509
Current liabilities			1 425 936	1 179 686
			32 555 620	30 801 195

##### Environmental rehabilitation provision

The municipality has an obligation to rehabilitate its landfill site in terms of its license stipulations. The net present value of the rehabilitation cost of landfill sites has been determined as at 30 June 2020 by technical specialists.

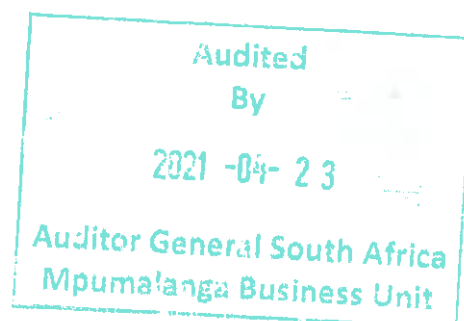
The environmental rehabilitation provision relates to three landfill sites namely Lydenburg, Graskop and Sabie. The number of years till closure for these respective landfill sites have been listed below.

##### Number of years till closure of landfill sites

Lydenburg	1	2
Graskop	14	15
Sabie	6	7
	-	-

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2020 was 9.64% p.a. The consumer price inflation of 6.21% p.a. was obtained from the differential between the averages of the Nominal Bond of 9.64% p.a. and the Real Bond 3.23% p.a. (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2020.



# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>17. Service charges</b>		
Sale of electricity	169 071 062	141 310 428
Sale of water	66 671 392	40 218 017
Sewerage and sanitation charges	15 103 922	11 890 364
Refuse removal	18 656 579	14 452 853
	<b>269 502 955</b>	<b>207 871 662</b>

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

The service charges for both the 2020 and 2019 financial years have been disclosed after factoring in the total indigent subsidy expense of R 1 051 848.51 for year ending 30 June 2020 and R 6 839 206 for year ending 30 June 2019.

All registered indigents receive 100% subsidization on rates, refuse and sanitation. Indigents receive up to 10KL of water free every month as well as receiving 50KWH of electricity for free. Indigents are also able to purchase their first 250KWH of electricity every month at a subsidised rate.

## 18. Interest revenue

<b>Interest revenue</b>		
Bank	1 897 984	3 899 792
Interest charged on trade and other receivables	14 251 606	13 269 482
	<b>16 149 590</b>	<b>17 169 274</b>

## 19. Operational income

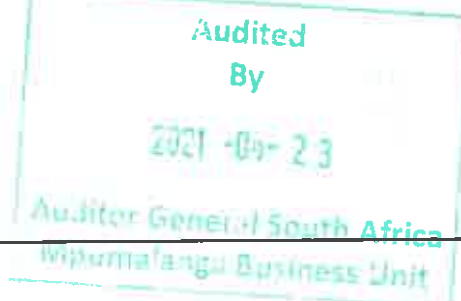
Building plan fees	589 325	609 294
Bulk services	-	195 717
Unallocated deposits released to income	215 874	7 945 833
Reconnections	118 962	182 377
Clearance certificates	155 642	221 448
Advertisement boards	57 560	98 332
Grave fees	65 612	74 528
Rezoning and consent use applications	7 089	175 187
Information supplied	186 008	206 253
Tender documents	680 024	904 602
Sundry income	1 898 250	918 204
	<b>3 974 346</b>	<b>11 531 775</b>

## 20. Rental of facilities and equipment

<b>Premises</b>		
Premises	1 700 247	1 632 643
Venue hire	-	70 336
	<b>1 700 247</b>	<b>1 702 979</b>

The rental income from premises is generated from renting out the Mashishing flats, hostels, town lands as well as municipal houses and municipal buildings.

Venue hire is primarily generated from the rental of municipal halls.



## Thaba Chweu Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>21. Property rates</b>		
<b>Rates received</b>		
Residential	65 923 891	34 089 811
Commercial	20 220 602	13 330 835
State	2 692 035	24 438 133
Agricultural	8 297 009	15 044 337
Institutional	174 777	514 326
Industrial	2 830 135	2 065 819
Undeveloped land	9 172 633	15 751 208
Less: Income forgone	(31 509 117)	(3 720 270)
	<b>77 801 965</b>	<b>101 514 199</b>
Property rates - penalties imposed	10 208 896	10 300 451
	<b>88 010 861</b>	<b>111 814 650</b>

The residential property rates for both the 2020 and 2019 financial years have been disclosed after factoring in the total indigent support for rates expense of R xxx for year ending 30 June 2020 and R1 770 306 for year ending 30 June 2019.

#### Valuations

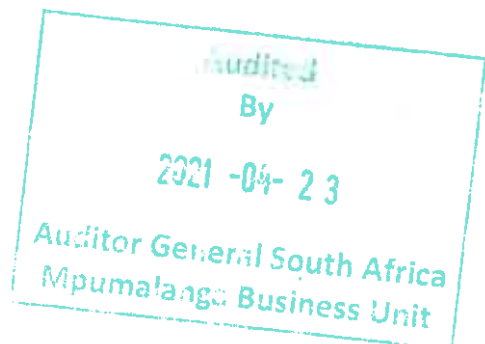
Residential	6 848 666 600	6 820 239 588
Commercial	1 606 971 700	1 599 877 909
Agricultural	6 891 695 500	4 052 502 877
Public service Purposes	1 417 306 950	2 189 314 493
Undeveloped	650 014 700	425 386 654
Industrial Property	227 901 600	223 939 940
Public Benefit Organisation	226 605 700	347 522 379
	<b>17 869 162 750</b>	<b>15 658 783 840</b>

Every five years the municipality compiles a valuation roll based on the value of land and buildings. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.1325 (2019: R .01227) is applied to property valuations to determine assessment rates. Rebates of 50% (2019: 50%) are granted to residential property owners. Farm properties used for agricultural purposes as well as Public Benefit Organisations (PBO) receive rebates of 75%. Public Service Infrastructure organisations (PSI) receive rebates of 90% whilst indigents receive property tax rebates of 100%.

Rates are levied on an annual basis with the final date for payment being Tuesday, 30 June 2020 (Sunday, 30 June 2019). Interest at prime plus 1% per annum (2019: 1%) is charged on rates outstanding.

The new general valuation will be implemented on 01 July 2024.





# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 22. Government grants and subsidies

#### Operating grants

Equitable share	143 286 000	132 621 000
LG Seta Grant		509 154
Revenue in kind	476 820	-
National EPWP grant	1 818 000	1 931 000
Financial Management Grant	2 680 000	2 215 000
INEP grant	9 620 000	8 680 460
Municipal Disaster Relief Grant	596 000	-
	<b>158 476 820</b>	<b>145 956 614</b>

#### Capital grants

Municipal Infrastructure Grants	47 382 000	43 853 875
Municipal Water Infrastructure Grant	11 914 090	18 838 700
	<b>59 296 090</b>	<b>62 692 575</b>
	<b>217 772 910</b>	<b>208 649 189</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	69 010 090	76 022 189
Unconditional grants received	148 286 000	132 621 000
	<b>217 296 090</b>	<b>208 643 189</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive 100% subsidization on rates, refuse and sanitation. Indigents receive up to 10KL for free every month as well as receiving 50KWH of electricity for free. Indigents are also able to purchase their first 350KWH of electricity every month at a subsidised rate.

#### Municipal Infrastructural Grant (MIG)

Current-year receipts	47 382 000	43 851 000
Conditions met - transferred to revenue	(47 382 000)	(43 851 000)

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

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

#### Financial Management Grant (FMG)

Current-year receipts	2 680 000	2 215 000
Conditions met - transferred to revenue	(2 680 000)	(2 215 000)

This grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 22. Government grants and subsidies (continued)

#### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year		16 832 770
Current-year receipts	15 000 000	12 000 000
Conditions met - transferred to revenue	(11 914 090)	(18 800 000)
Disapproved rollover	-	(10 032 770)
	<b>3 085 910</b>	<b>-</b>

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

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

#### INEP Grant

Balance unspent at beginning of year	-	3 745 460
Current-year receipts	9 620 000	4 935 000
Conditions met - transferred to revenue	(9 620 000)	(8 680 460)
	<b>-</b>	<b>-</b>

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

#### DPSA Grant

Balance unspent at beginning of year	-	913 257
Conditions met - transferred to revenue	-	(423 649)
Surrendered	-	(489 608)
	<b>-</b>	<b>-</b>

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

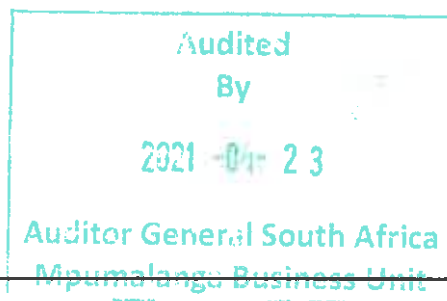
#### Energy efficiency grant

Current-year receipts	9 620 000	705 930
Conditions met - transferred to revenue	(9 620 000)	(705 930)
	<b>-</b>	<b>-</b>

#### Expanded Public Works Program (EPWP)

Current-year receipts	1 818 000	1 931 000
Conditions met - transferred to revenue	(1 818 000)	(1 931 000)
Other		-
	<b>-</b>	<b>-</b>

The grant relates to the labour component within water infrastructure .



## Thaba Chweu Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>22. Government grants and subsidies (continued)</b>		
<b>Municipal Disaster Relief Grant</b>		
Current-year receipts	596 000	-
Conditions met - transferred to revenue	(596 000)	-
	-	-
<b>23. Fines, Penalties and Forfeits</b>		
Building Fines	28 000	652
Illegal Connections Fines	133 367	342 519
Law Enforcement Fines	1 635 082	-
Overdue Books Fines	1 829	-
Municipal Traffic Fines	14 218	5 259 450
	1 812 496	5 602 621
<b>24. Interest from non-exchange receivables</b>		
<b>25. Fair value adjustments</b>		
Investment property (Fair value model)	8 618 981	5 882 114



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>26. Employee related costs</b>		
Basic	115 637 246	103 832 592
Bonus	7 399 422	8 464 732
Medical aid - company contributions	10 519 042	7 270 671
UIF	871 601	809 277
Other payroll levies	142 813	50 232
Leave pay provision charge	5 754 993	3 169 426
Defined contribution plans	22 611 858	21 129 002
Overtime payments	9 285 408	11 054 633
Long-service awards	(115 807)	(956 000)
13th Cheques	1 991 583	590 929
Car allowance	14 451 776	15 471 613
Housing benefits and allowances	976 249	977 400
Insurance Group Life	533 756	405 398
Post Employment Medical Aid	3 219 616	1 298 924
Shift allowances	1 397 926	1 254 278
Cellphone allowances	4 834 268	3 910 970
Standby allowances	4 423 072	3 343 849
	<b>203 934 822</b>	<b>182 077 926</b>

### Remuneration of - Municipal Manager

Annual Remuneration	505 553	980 844
Car Allowance	168 781	326 806
Contributions to UIF, Medical and Pension Funds	790	1 732
Acting allowance	159 399	514 465
Acting allowance- Back Pay	-	50 479
Cellphone Allowance	12 338	24 063
Remote Allowance	61 551	-
	<b>908 412</b>	<b>1 898 389</b>

### Remuneration of - Chief Financial Officer

Annual Remuneration	941 525	792 160
Travel allowance	314 473	241 046
Cellphone allowance	-	24 064
Travel allowance back pay	-	25 492
Contributions to UIF, Medical and Pension Funds	1 896	1 575
Remote allowance	50 315	-
	<b>1 308 209</b>	<b>1 084 337</b>

### Remuneration of director - Corporate Services

Annual Remuneration	-	504 686
Acting allowance	341 894	466 865
Travel allowance	-	135 629
Contributions to UIF, Medical and Pension Funds	-	1 890
Cellphone allowance	-	26 307
	<b>341 894</b>	<b>1 135 377</b>

### Remuneration of director - Technical Services

Annual Remuneration	941 525	274 270
Acting allowance	-	108 262
Salary Backpay	-	33 709

# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>26. Employee related costs (continued)</b>		
Travel allowance	314 473	88 622
Contributions to UIF, Medical and Pension Funds	1 896	787
Cellphone allowance	29 611	10 808
Remote Allowance	50 315	-
	<b>1 337 820</b>	<b>516 458</b>

### Remuneration of director - Community Services

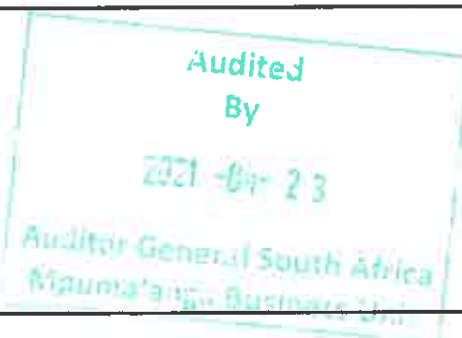
Annual Remuneration	534 233	818 200
Car Allowance	178 446	273 363
Contributions to UIF, Medical and Pension Funds	1 106	1 890
Salary Back Pay	-	275 865
Travel allowance back pay	-	16 701
Acting allowance	399 424	427 950
Cellphone allowance	17 273	26 307
	<b>1 130 482</b>	<b>1 840 276</b>

### Remuneration of director - Local Economic Development

Annual Remuneration	941 525	876 033
Car Allowance	314 473	299 095
Contributions to UIF, Medical and Pension Funds	1 896	1 890
Salary back pay	-	53 071
Remote Allowance	50 316	-
Cellphone allowance	29 610	26 307
	<b>1 337 820</b>	<b>1 256 396</b>

### 27. Remuneration of councillors

Executive Major	934 167	900 271
Chief Wip	710 824	686 934
Speaker	755 491	727 480
MMC: Finance	710 824	273 721
MMC: Corporate	710 824	686 039
MMC: Community Services	710 824	690 281
Portfolio: Chairperson MPAC	403 621	389 857
Ordinary Councillors	6 388 150	6 411 165
	<b>11 324 725</b>	<b>10 765 748</b>



### In-kind benefits

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

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

The Executive Mayor has two full-time bodyguards.

### 28. Bulk purchases

Electricity - Eskom	133 851 500	139 527 159
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# Thaba Chweu Local Municipality

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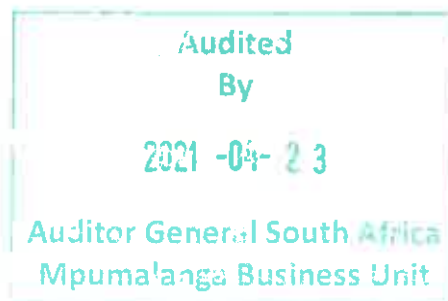
Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>29. Operating expenses</b>		
Auditors remuneration	7 996 106	7 701 199
Bank charges	586 904	535 840
Cleaning	-	1 603 837
Commission paid	6 676 068	5 652 732
Computer expenses	-	9 614 474
Community development and training	-	57 794
Conferences and seminars	2 428 601	887 869
Consulting and professional fees	-	3 473 850
Consumables	14 037 189	5 995 018
Disaster management	-	370 000
Electricity	48 988 197	24 471 562
Free Basic Services	-	649 081
Fuel and oil	2 258 247	3 261 218
Gifts	57 070	-
Hire	786 955	726 252
Insurance	4 952 225	63 619
Job creation expenses	-	5 005 546
IT expenses	10 068 730	-
Legal fees	-	220 767
Motor vehicle expenses	105 774	161 565
Packaging	-	45 520
Other expenses	15 280 642	3 334 360
Placement fees	-	258 277
Postage and courier	447 593	2 211
Printing and stationery	81 927	3 949 537
Promotions	-	435 528
Protective clothing	510 226	634 297
Refuse	-	44 143
Skills Development Levies	1 317 566	1 534 921
Staff welfare	-	268 745
Sewerage and waste disposal	-	3 977
Subscriptions and membership fees	196 809	4 674 446
Telephone and fax	260 025	514 410
Training	-	830 945
Travel - local	2 299 236	2 748 257
Uniforms	-	128 618
	<b>119 336 090</b>	<b>89 860 415</b>

## 30. Depreciation and amortisation

Property, plant and equipment	50 226 791	51 377 322
Intangible assets	1 008 611	599 068
	<b>51 235 402</b>	<b>51 976 390</b>



# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 31. Contracted services

#### Outsourced Services

Administrative and Support Staff	-	1 903 965
Business and Advisory	8 401 919	3 087 891
Catering Services	-	48 155
Call Centre	178 194	-
Fire Services	-	68 379
Connection/Dis-connection	174 967	721 800
Refuse Removal	6 371 785	278 180
Security Services	8 713 724	7 559 458
Traffic Fines Management	-	997 742
Electrical	-	3 796 792

#### Consultants and Professional Services

Business and Advisory	23 291 966	14 704 419
Infrastructure and Planning	4 760 980	3 333 067
Legal Cost	13 948 473	21 429 702

#### Contractors

Bore Waterhole Drilling	843 720	-
Electrical	5 085 134	-
Employee Wellness	-	114 618
Maintenance of Buildings and Facilities	493 499	-
Maintenance of Equipment	-	11 683 970
Maintenance of roads	9 590 804	-
Medical Services	-	105 026
Preservation/Restoration/Dismantling/Cleaning Serv	-	3 931 105
Sewerage Services	257 480	-

82 112 645 73 764 269

### 32. Finance costs

Trade and other payables	47 103 881	39 453 187
Interest cost: post employment medical aid fund	-	2 718 128
Landfill site: unwinding of discount	1 179 686	1 202 614
Interest cost: long service awards	711 000	764 000
	48 994 567	44 137 929

### 33. Debt impairment

Contributions to debt impairment provision - Traffic fines	-	5 959 363
Contributions to debt impairment provision - Consumer debtors	96 685 714	49 060 421
Bad debts written off - Consumer debtors	(120 727 437)	6 236 729
	(24 041 723)	61 256 513

### 34. Impairment of assets

#### Impairments

Property, plant and equipment	-	363
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Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]



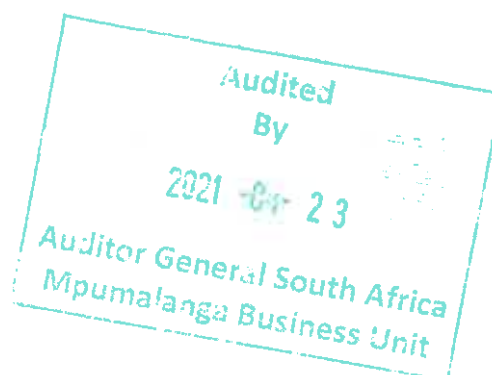
## Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>35. Auditors' remuneration</b>		
Fees	7 996 106	7 701 199



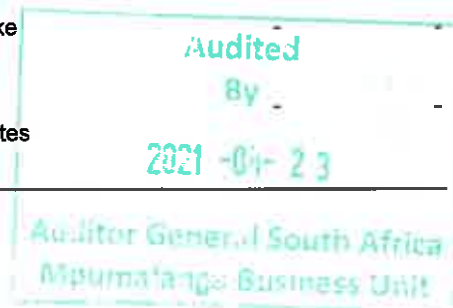
# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>36. Contingencies</b>		
<b>Claimant</b>		
Blom & others/ TCLM Applicant is claiming an amount suffered for building collapse based on submitted plans to TCLM.	5 076 609	5 076 609
Johannes Buti Nkosi/ TCLM Applicant is suing TCLM for a motor vehicle damaged during strike at his residence	200 000	200 000
Dubert Trading CC/ TCLM Applicant obtained an urgent court order to interdict TCLM on disconnecting electricity.	-	-
SAMWU obo Members/ TCLM SAMWU (Applicant) made an application to the labour Court seeking municipality to implement placement of its members in certain position following an agreement entered into between SAMWU and the then Accounting Officer Mr.B. Koma in December 2012.	-	-
Matabane Civils Construction/ TCLM On 29 May 2014 the Plaintiff instituted an action for breach of contract against the Municipality for non-payment of outstanding invoices.	3 543 064	3 543 064
Ntsumi Telecommunication/TCLM Applicant is claiming monies for professional service rendered	6 156 000	6 156 000
Jako de Klerk & Marietjie Malan/ TCLM & Surprise Maebela The plaintiff is suing the Municipality for damages amounting to R750 000 for five horses allegedly electrocuted as a result of the Municipality's negligence in not maintaining such electrical poles on the plaintiff's farm.	1 500 000	750 000
Hendrik J Samuels/ TCLM Plaintiff sued for loss of support and damages for his deceased wife that passed at Big Swing (Graskop)	750 000	750 000
Department of labour/ TCLM Department of labour has fined the Municipality in terms of section 21(4B) in accordance with schedule 1 of Employment Equity Act 55 of 1998 for failing to submit an equity plan on time.	1 500 000	1 500 000
Exodus Kgolofelo Mabanna/MEC for Cogta/MEC for Finance/ TCLM The applicant obtained an interdict to reverse confirmation of employees within the institution.	-	-
South African securitisation programme & Fintech receivables/ TCLM The Applicant is suing the municipality for services rendered in terms of the service level agreement.	229 564	300 000
Lydenburg, Graskop and Sabie chamber of commerce and tourism/ TCLM & others The applicant sued the municipality for monies owed for services rendered on contractual basis. Claim of R14 140 981,09	-	-
MBB Consulting services/ TCLM The applicant sued the municipality for monies owed for services rendered on contractual basis. Claim of R14 140 981,09	14 140 981	14 140 981
The Thaba Chweu Rural Forum/ TCLM The applicant made an application in court on behalf of farmers within Thaba chweu to be excluded from the normal rates levied by the municipality.	-	-
Apostolie Geloof / TCLM The applicant claims monies for services paid on religious property that they dispute to pay based on legislation not applicable to them	-	-
Axel Kazadi Kayembe / TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM	-	-
Preston Tomato farms Applicant is claiming for monies paid to obtain a clearance certificate on transfer of property	-	-
Selina Clementine sibiya/ TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM	56 830	56 830
Lesibana Christian Rale/ TCLM In this matter, the plaintiff, Mr Ralebipi claims contractual damages arising out of the termination of his contract of employment. The matter commenced at the Limpopo High court	-	446 638
JJ Jordan / TCLM The plaintiff is suing the Municipality for damages amounting to approximately R3 000 000.00, for motorbike accident damage caused by the pothole on the road within TCLM	-	2 176 879
Magoveni Business Trust/ TCLM Plaintiff sued the municipality for professional service rendered and now claims the monies owed.	9 100 000	9 100 000
TCLM/ SAMWU-TCLM EMPLOYEES Municipal employees embarked on illegal strike without following proper process, employers had obtain an interdict to protect municipal assets and restore order.	-	-
Johannes Buti Mabuza & Ester Tiny Mabuza/ TCLM Applicant has lodged an application to interdict the municipality on disconnecting electricity supply and disputes the claimed.	-	-



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
Lesibana Christian Rale/ TCLM In this matter, the plaintiff, Mr Ralebipi claims contractual damages arising out of the termination of his contract of employment. The matter commenced at the Limpopo High court	446 638	446 638
Raul Machado Salvatori/ TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM jurisdiction	17 037	17 037
Thoka Makorwane Patrick Kgoale/ TCLM The accounting officer who is suspended has challenged the suspension in labour court urgently	-	-
Peter Steve Makhubela/ BRA, TCLM A councillor who is representing BRA a political party in council, has issued an interdict against BRA, speaker and Municipal manager that he must not be replaced without following due processes	-	-
Mihandzu Consulting Engineers/ TCLM Municipality is being sued by applicant for services rendered in terms of SLA	445 340	445 340
Mashego Kemmy/ TCLM An employee of the municipality who is a unit manager claims to have short paid his travelling allowance since 2010 4	-	186 973
Magoveni Business Trust/ TCLM (2) A service provider has obtained a default judgement without serving the municipality with necessary court documents and attached the municipal bank account through sheriff of court.	9 100 000	9 100 000
Eskom Holdings SOC Limited/ TCLM The applicant is suing the municipality for breach of payment plan and failure to pay the account of Eskom	-	-
Eben Blignaut Applicant is suing the municipality for damages suffered that were caused by a pothole on the road.	2 000 000	-
Zim electrical/ tclm Municipality is being sued by the applicant for service rendered in terms of SLA	435 401	-
Roza Essack applicant has lodged an application to interdict the municipality on disconnecting electricity supply and disputes the claimed.	-	-
Landsberg/Tclm Landsberg is suing the municipality for amount of R3 000 000 for the death of their minor child who died of electric shock	3 000 000	-
VR Cargo and eight others/ TCLM Applicant urgently interdicted the municipality in enforcing its Traffic By-laws to prohibit their heavy load trucks to drive through the town	-	-
	<b>57 697 464</b>	<b>54 392 989</b>

### 37. Prior-year adjustments

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

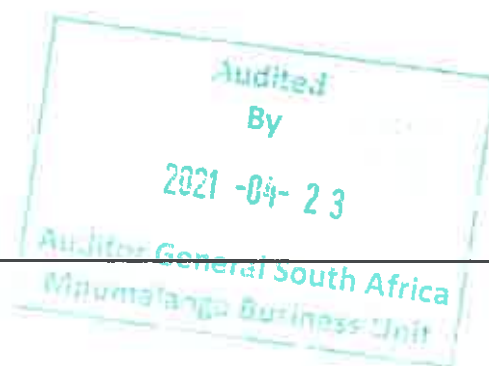
#### Statement of financial position

2018

	As previously reported	Correction of error	Restated
Payables from exchange transactions	610 458 640	(2 203 268)	608 255 372
Property plant and equipment	912 372 978	649 983	913 022 961
	<b>1 522 831 618</b>	<b>(1 553 285)</b>	<b>1 521 278 333</b>

Write Off accruals water supply

Property plant and equipment deemed cost applied to items with zero carrying value and adjusted amount on depreciation incorrectly calculated in 2017/18



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019	
<b>37. Prior-year adjustments (continued)</b>			
<b>2019</b>			
	<b>As previously reported</b>	<b>Correction of error</b>	<b>Restated</b>
Property plant and equipment	912 372 978	649 983	913 022 961
Payables from exchange transactions	750 462 186	(2 145 554)	748 316 632
	<b>1 662 835 164</b>	<b>(1 495 571)</b>	<b>1 661 339 593</b>

### Statement of financial performance

**2019**

	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Revenue from exchange transactions	-	-	-	-
Interest revenue	27 469 725	-	(10 300 451)	17 169 274
Revenue from Non-exchange transactions	-	-	-	-
Interest revenue	-	-	10 300 451	10 300 451
Expenditure	-	-	-	-
Contracted services	55 148 358	(174 300)	18 790 211	73 764 269
Operational expenditure	114 908 947	-	(21 429 498)	89 860 416
Bulk Purchases	139 517 159	-	10 000	139 527 159
Operating Leases	-	-	2 629 287	2 629 287
Impairment loss/ Reversal of impairments	739 912	(739 549)	-	363
Depreciation	52 893 658	(917 268)	-	51 976 390
Employee related costs	189 809 159	-	4 765 049	194 574 208
<b>Surplus for the year</b>	<b>-</b>	<b>(1 831 117)</b>	<b>4 765 049</b>	<b>-</b>

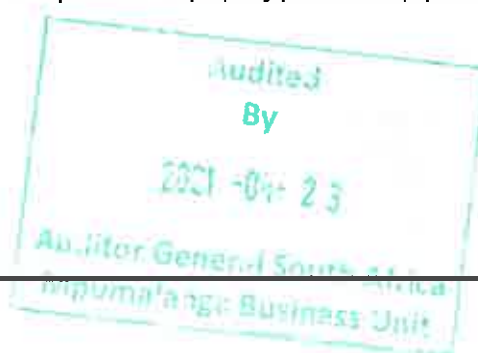
Write Off Accruals water supply: INSTALLATION OF 20MM WATER THE HEADS LYDENBURG

Correction of duplications, depreciation and correction of impairment on property plant and equipment for 2018/19.

### Cash flow statement

**2019**

	<b>As previously reported</b>
<b>Cash flow from operating activities</b>	
Contracted services	55 148 358
<b>Cash flow from investing activities</b>	
Purchases of PPE	88 834 055



# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 37. Prior-year adjustments (continued)

#### Reclassifications

Payables from exchange transactions: Deferred income was reclassified to payments received in advance.

Payables from exchange transactions: Accruals was reclassified to trade payables.

Operational expenditure reclassified as contracted services.

Operational expenditure reclassified as bulk purchases.

Operational expenditure reclassified as operating leases.

Consumer deposits reclassified as unallocated deposits.

### 38. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	18 576 417	14 034 610
---------------------------------	------------	------------

##### Total capital commitments

Already contracted for but not provided for	18 576 417	14 034 610
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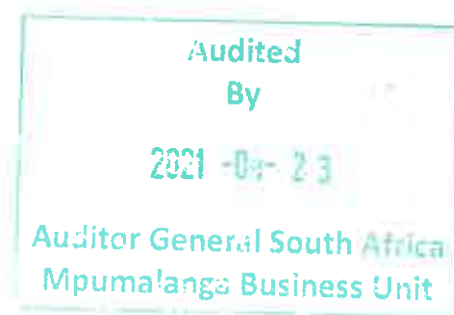
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated, etc.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	1 095 557	2 629 337
- in second to fifth year inclusive		1 095 557
	1 095 557	3 724 894

Operating lease payments represent rentals payable by the municipality for certain of its office printers. Leases are fixed for a minimum period of three years. No contingent rent is payable.



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 39. Related parties

#### Relationships

Accounting Officer

District Municipality

Relationship with CoGTA

Controlled entities

Members of key management

Refer to accounting officer's report note

Ehlanzeni District Municipality

Cooperative Governance and Traditional Affairs

Thaleda (Pty) Ltd

Ms. SS Matsi (Municipal Manager)

Mr. MR Mnisi (Chief Financial Officer)

Mr. SL Manqele (Director: Technical Services)

Ms. SP Mathebula (Director: LED)

Mr. KMM Mashilo (Acting Director: Community Services)

Mr. PM Mankga (Community Services)

The remuneration of key management is disclosed in note of the annual financial statements.

#### Related party balances

##### Amounts included in Trade receivable (Trade Payable) regarding related parties

Councillors		
Councillor SM Phetla	847	(689)
Councillor ET Mabuza (MMC)	163 444	(4 955)
Councillor DR Nkabinde	709	(1)
Councillor SE Van Douwe	108 151	446
Councillor JH Ligthelm	1 606	333
Councillor JJ Mkhize	16 550	(15 589)
Councillor RG Herbst	1 595	356
Councillor SG Shongwe	6 816	1 431
Councillor TE Mabuza	-	160 445
Councillor S J Segoane	8 199	-
Controlled Entity: Thaleda (Pty) Ltd	-	291 445
Key Employees (Management)		
Ms. SS Matsi	1 224	-
Mr. RM Mnisi	-	-
Mr. SL Manqele	-	-
Ms SP Mathebula	-	-
Mr. KMM Mashilo	(7 780)	-
Mr. PM Mankga	-	-



The remuneration of Councillors is disclosed in note in the annual financial statements. For councillor names, please refer to page of the financial statements.

#### Service charges

Thaleda (Proprietary) Limited	357 386	294 445
-------------------------------	---------	---------

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

#### Provision for doubtful debts related to outstanding balances with related parties

Thaleda (Proprietary) Limited	-	27 435
Councillor SG Shongwe	-	474
Councillor TE Mabuza	-	155 277

Thaleda (Pty) Ltd enjoys the benefits of using facilities of Thaba Chweu Local Municipality as their operational office in the form of Sabie Caravan Park. The audit fees of Thaleda (Pty) Ltd is also paid by the parent being Thaba Chweu Local Municipality.

#### RELATED PARTIES TRANSACTIONS 2019/20

# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>39. Related parties (continued)</b>		
Thaleda Subsidy	500 000	500 000
Salary Mr. MF Nkadameng Members of immediate family Executive Mayor	525 524	420 000
Salary Ms. PT Nkadameng Members of immediate family Executive Mayor	582 764	374 093
Mr. M. Sedibe Management and/or employees of parent company	734 147	548 307
Ms. QN Seboka Management and/or employees of parent company	483 761	441 941
Ms. L. Moukangwe Management and/or employees of parent company	435 879	365 597
Ms. LV Lubisi Shabangu Management and/or employees of parent company	696 919	529 415
Mrs. C. Sechabe Management and/or employees of parent company	279 613	221 204
Mrs. BD Molapo Management and/or employees of parent company	284 935	252 970
<b>40. Unauthorised expenditure</b>		
Opening balance as previously reported	188 739 675	133 265 295
<b>Opening balance as restated</b>	<b>188 739 675</b>	<b>133 265 295</b>
Add: Expenditure identified - current	7 520 551	55 474 380
<b>Closing balance</b>	<b>196 260 226</b>	<b>188 739 675</b>
<b>41. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	165 024 237	125 571 050
<b>Opening balance as restated</b>	<b>165 024 237</b>	<b>125 571 050</b>
Add: Expenditure identified - current	47 103 888	39 453 187
<b>Closing balance</b>	<b>212 128 125</b>	<b>165 024 237</b>
<b>42. Irregular expenditure</b>		
Opening balance	448 425 668	398 254 494
Add: Irregular Expenditure - current year	-	37 146 777
<b>Opening balance as restated</b>	<b>448 425 668</b>	<b>435 401 271</b>
Add: Irregular Expenditure - current	27 852 012	-
Add: Irregular Expenditure - prior period	-	13 024 397
Identified during current audit	29 940 979	-
<b>Closing balance</b>	<b>506 218 659</b>	<b>448 425 668</b>

Audited  
By  
2021-07-23  
Auditor General South Africa  
Mpumalanga Business Unit



# Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

<b>Details of irregular expenditure – current year</b>			
Contracts extended without following proper process		11 059 124	8 215 868
Contracts awarded with bid adjudication committee not composed in terms of SCM regulation 29(2)		220 796	3 162 699
Deviations not compliant with SCM regulation 36(1)		-	7 920 828
Overtime paid that exceed threshold		-	3 912 278
Irregular expenditure identified during the audit process		-	13 935 104
Municipal rates over 90 days		8 865 242	-
Declaration for Local Production and Content not included in the tender document		5 400 581	-
Awards were made to suppliers who did not comply with the stipulated qualifying criteria stipulated		593 944	-
Tax Status of the supplier not confirmed before the award		176 965	-
Tender document not submitted for Audit Purposes to confirm if SCM processes were followed		1 505 360	-
Company director is in the employ of the state however the procurement was concluded prior to employment		30 000	-
Additional irregular expenditure identified through completeness testing		29 940 979	13 024 397
		<b>57 792 991</b>	<b>50 171 174</b>

### Cases under investigation

The Irregular expenditure movement in the 2018/2019 financial year was adjusted upward by R 13 024 397 due to additional instances of non compliance identified by management after performing completeness test of all expenditure transactions that are subjected to SCM regulations.



## Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 43. Additional disclosure in terms of Municipal Finance Management Act

##### Distribution losses

Electricity (Losses expressed in KWH units)	53 240 271	31 425 258
Electricity (Losses expressed as a %)	36	23
Water (Losses expressed in Kilolitres)	6 434 724	7 206 340
Water (Losses expressed as a %)	66	69
	<b>59 674 995</b>	<b>38 631 598</b>

##### Audit fees

Opening balance	869 776	1 660 204
Current year expense	8 879 934	9 642 611
Amount paid - current year	(6 778 677)	(10 433 039)
	<b>2 971 033</b>	<b>869 776</b>

##### PAYE and UIF

Opening balance	2 601 807	2 273 167
Current year expense	33 782 360	28 557 125
Amount paid - current year	(33 653 143)	(33 432 099)
	<b>2 731 024</b>	<b>(2 601 807)</b>

##### Pension and Medical Aid Deductions

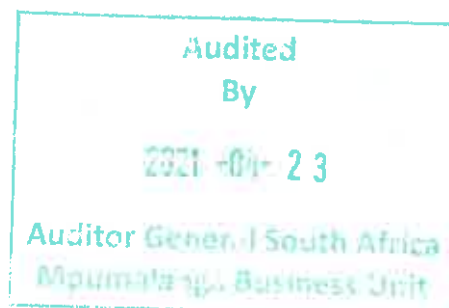
Opening balance	3 808 606	5 357 161
Current year expense	49 656 079	40 709 051
Amount paid - current year	(49 192 924)	(49 874 818)
	<b>4 271 761</b>	<b>(3 808 606)</b>

##### VAT

VAT receivable	74 294 406	71 216 004
VAT payable	12 572 118	(25 536 613)
	<b>86 866 524</b>	<b>45 679 391</b>

VAT output payables and VAT input receivables are shown in note .

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



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand 2020 2019

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

#### Councillors' arrear consumer accounts

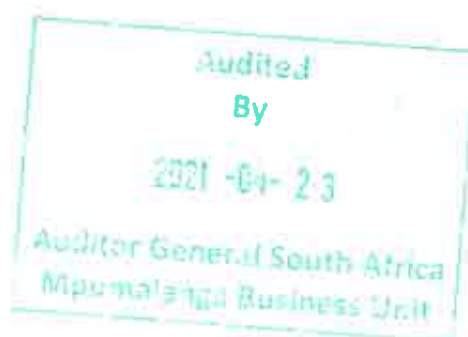
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
ESTHER TINNY MABUZA	4 242	7 102	11 344
JOHANNES BUTI & ESTHER TINY MABUZA	13 739	138 361	152 100
S M PHETLA	775	72	847
POFANA ELMON MALEPE	2 107	102	2 209
DAVID LETSANE	2 267	123	2 390
PETRUS MABANNA	5 897	2 958	8 855
MEISIE JOHANNA HLATSHWAYO	165	543	708
BEN SIBIYA	1 523	66	1 589
SANDILE GODFREY & MOMSA KINDNESS SHONGWE & MDHULI	2 898	3 919	6 817
JUBA JUDITH MKHIZE	1 654	14 895	16 549
REINIER GRAVETT HERBST	1 283	312	1 595
MNISI PETER	3 722	97 921	101 643
SANDERSON E S	1 794	4 714	6 508
SLAMBIE JACOB SEGOANE	2 016	6 183	8 199
	<b>44 082</b>	<b>277 271</b>	<b>321 353</b>

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ET MABUZA	5 503	160 445	165 948

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2020	Highest outstanding amount	Aging (in days)
Councillor JOHANNES BUTI & ESTHER TINY MABUZA	138 362	90
30 June 2019	Highest outstanding amount	Aging (in days)
ET Mabuza	160 445	90



# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>44. Cash generated from operations</b>		
Deficit	(28 453 239)	(90 560 785)
<b>Adjustments for:</b>		
Depreciation and amortisation	51 235 402	51 976 390
Loss on disposal of assets	64 173	1 822 864
Finance costs	-	(18 885 191)
Impairment deficit	-	363
Debt impairment	(24 041 723)	61 256 513
Actuarial (gains) and losses	24 486	(4 765 049)
Fair value adjustments	(8 618 981)	(5 882 114)
<b>Changes in working capital:</b>		
Inventories	(3 272 463)	(378 911)
Consumer debtors	(96 891 883)	(27 862 847)
Other receivables from non-exchange transactions	461 972	1 684 979
Payables from exchange transactions	186 248 347	139 829 505
VAT	(16 042 897)	(6 852 982)
Unspent conditional grants and receipts	3 085 910	(21 773 768)
Consumer deposits	57 753	639 544
Employee benefit obligation	(4 854 857)	(844 160)
Environmental rehabilitation provision	(6 852 169)	-
	<b>52 149 831</b>	<b>79 404 351</b>

## 45. Risk management

### Financial risk management

The municipality's activities expose it to a variety of financial risks which predominantly includes credit risk and liquidity risk.

### Liquidity risk

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

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

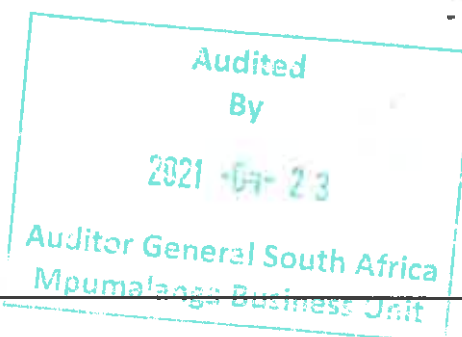
### Credit risk

The municipality's credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. All the municipality's deposits are of a short term nature to ensure that the municipality's cash flow is not affected.

Consumer debtors comprise a widespread customer base.

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

Financial Instrument	2020	2019
Bank balances	-	4 727 725
Short term deposits	-	34 035 943
Consumer debtors	-	78 465 969



# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

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### 46. Deviation from supply chain management regulations - Utilising a sole supplier

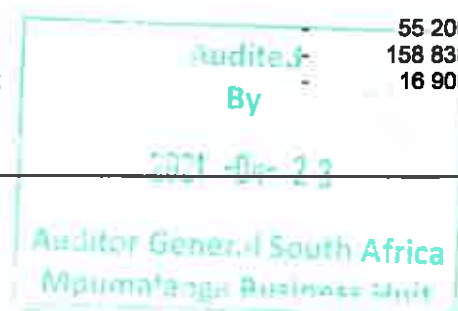
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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.

The disclosure below relates to the instances whereby the Accounting Officer complied with the requirements of regulation 36 of the Supply Chain Management Regulations of 2005 in dispensing the below procurements which were due to emergency and impracticality situations.

#### Emergencies and impracticalities

1 x Compactor Truck (Including Equipment and hydraulics)	-	2 351 365
2 x Fire rescue LDV (Including fire machines and equipment)	-	1 363 028
1 x Mini bus Van	-	447 496
315 KVA 22kv Transformer	-	250 000
Mini Transformer 315 KVA / 415V	-	501 975
Renewal of Caseware licences	-	76 880
Investigation of senior manager	-	256 357
Cable Fault Dectector	-	44 950
Gazetting Public notice of supplementary	-	2 018
MP321_Opex_Mashishing Subdivision / Town planning - proclamation of township establishment (1.0000)	-	21 184
MP321_Opex_Mashishing Subdivision / Town planning - proclamation of township establishment (1.0000)	-	27 237
Advertisement of Senior Management Posts In Local Media	-	20 950
Adertisement for Vacant posts Published 16/10/2018	-	14 117
Tender Advert Local News papers	-	24 202
Addvertisement local Media Vacancies	-	14 174
Erratum advertisement of vacan t position of Supervisor roads	-	1 412
Notice of postpoment of Mayoral Imbizo	-	4 697
Advert of Tenders on National Newspaper (Sunday World & Sowetan)	-	25 000
Advert of Tenders on Local Newspaper (Steelburger)	-	12 978
Advert for Inspection of General Valuation roll and lodging of objections ( Sowetan) x 2 weeks (National media)	-	43 000
Advert for Inspection of General Valuation roll and lodging of objections ( Lowveld) x 2 weeks (Local Media)	-	6 313
Advert for Notice of Draft Annual Report	-	2 981
Publication of Tender advert on Sunday world	-	15 364
Registration fee for Cash flow Management course	-	11 700
Registration fee for Mr P Moreku	-	4 950
Notice for Publication of Valuation Roll and Lodging of objection for two consecutive weeks	-	2 522
Gazetting of Municipal by laws	-	359 450
8 x Competency assessments for shortlisted candidates	-	55 600
Notice- Debt Incentive plan , for Lowveld News & steel Burger in two consecutive weeks	-	50 127
Advert of Financial recovery plan	-	1 754
Advert of IDP Consultations Meeting	-	8 111
MP321_Opex_Advert- Printing and Stationery / Communication - Draft IDP/BUDGET POLICIES (1.0000)	-	9 394
MP321_Opex_Advert- Printing and Stationery / Communication - public notice of council meeting (1.0000)	-	9 395
2 das x Day Conference Package (80 delegates), Lunch	-	55 200
Acomodation for 80 delegates x 2 nights for Women Indaba TCLM	-	158 838
MP321_Opex_Radio Slots / Communications - easter message in siswatii & english (1.0000)	-	16 900



# Thaba Chweu Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>46. Deviation from supply chain management regulations - Utilising a sole supplier (continued)</b>		
MP321_Opex_Advert- Printing and Stationery / Communication - RADIO ADVERT OF DEBT INCENTIVE PROGRAMME PLAN (1.0000)	-	57 240
Accommodation for employees attending the SAIMSA Games in Swaziland	-	184 160
Catering for SAIMSA Games	-	142 500
Payment of Insurance access fees	-	3 500
Gazetting Tariffs and revenue By-laws as required by law.	-	13 114
Provisin for the Valuation of Investment Porperties in terms of Grap 16	-	867 450
Advert of IDP Consultation meetings	-	9 500
MP321_Opex_Advert- Printing and Stationery / Communication - ADVERT OF FINANCIAL RECOVERY PLAN (1.0000)	-	4 500
MP321_Opex_Advert- Printing and Stationery / Communication - advert of oversight report for 23017/2018 annual report (1.0000)	-	54 000
MP321_Opex_Advert- Printing and Stationery / Communication - advert of tenders on the national newspaper (1.0000)	-	5 400
Electricity Disconnection and Reconections	-	197 800
Installation of Traffic cameras, training and software	-	990 027
MP321_Opex_Advert- Printing and Stationery / Communication - advert of tenders on the national newspaper (1.0000)	-	25 000
MP321_Opex_Advert- Printing and Stationery / Communication - TENDER ADVERT - AFS (1.0000)	-	29 800
Supply & delivery of Filter sand	-	279 853
Supply and delivery of Silica Sand	-	332 594
Cable Fault Finding and Jointing in Mashishing	-	140 056
Miniature Sub Transformer 200KV , 420V,# ph new PH new & delivery	-	291 870
Excess amount	-	4 161
Supply and delivery of payslips	-	21 563
Rebuild and configuration of New Financial System Sever	-	327 764
Network Cabling Infrastructure & Power installations at Sabie data center	-	475 143
7 x labour and project manager; 7 x variables (fuel, equipment); 7 x Transport	-	49 857
Supply of 90KW Motor for Sabie	-	53 569
Repair & 11 KV Breaker Motor at maitn Substation & Indergorund cable fault Finding Location	-	37 571
Provision for Landfill site Management in Sabie x 1 Month	-	244 950
Provision for Refuse compactor truck and labour	-	480 827
Legal Fees to Sherrif	-	45 747
Public Notice: Adoption of IDP & Budget process plan for 2019/20	-	2 481
Arratum Advert of Tenders: Contractors	-	16 838
Arratum Advert of Tenders: Contractors	-	26 082
Advertisement of Senior Management Posts National Newspaper	-	56 294
Advertisement of vacant post in city press on the 14 October 2018	-	47 920
Publication of Public notice of Financial Recovery plan	-	9 025
Publication of Supplementary valauation roll notice	-	17 222
Advert of Teders on National Newspaper	-	35 098
Advert for vacant post advertisement 39cm (high) x 5 columns (wide) black & white	-	77 007
Advertisement of Infrastructure Grant funded projects/Tenders	-	16 100
Repairs of Boreholes in Northern areas	-	173 075
Refurbishment of Pump Station in Moremela	-	172 746
Re-drilling, repair and equiping of borehole in leroro and matibidi	-	197 599
Supply & delivery of money bags	-	8 087
Seminars- Conferences- Workshops and Events / MM's office - Registration Fee / - / (3.0000)	-	16 500
MP321_Employee Assistant programme_Employee wellness - legal costs (1.0000)	-	9 600
Advert notice of council meeting CTP t/a Lowveld	9 394	-
Erratum Advert of Tariffs CTP t/a Lowveld	4 442	-
Public Notice SDBIP CTP t/a Lowveld	5 872	-
Noticev of general rates for 2019/2020 CTP t/a Lowveld	57 936	-
Tender advert on national newspaper Tiso black group	25 070	-
Advert of Vacancies MIT Group	49 500	-

Audited  
By  
2021-07-23  
Auditor General South Africa  
74pumafanga Business Unit



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

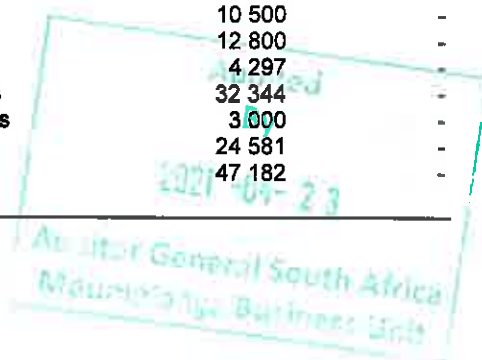
Figures in Rand

2020

2019

### 46. Deviation from supply chain management regulations - Utilising a sole supplier (continued)

MP321_Opex_Advertising - IMPLEMENTATION PROGRESS REVIEW - (1.0000) CTP   t/a Lowveld Media	9 265	-
MP321_Opex_Radio slots - RADIO ADVERT OF MAYORAL BURSARY - (1.0000) MASHISHING COMMUNICATIONS   MASH FM	75 870	-
MP321_Opex_Advertising - ADVERTISE THE PROCESS PLAN - (1.0000) CTP   t/a Lowveld Media	2 688	-
MP321_Opex_Advertising - ADVERT OF SPECIAL IPROGRAMME FOR INDIGENT CONSUMERS - (1.0000) CTP   t/a Lowveld Media	8 475	-
MP321_Opex_Advertising - advert of mayoral imbizo - (1.0000) CTP   t/a Lowveld Media	9 394	-
MP321_Opex_Advertising - erratum advert for indigent consumers - (1.0000) CTP   t/a Lowveld Media	4 003	-
MP321_Opex_Radio slots - MAYORAL IMBIZO ADVERT - (1.0000) MASHISHING COMMUNICATIONS   MASH FM	57 600	-
MP321_Opex_Advertising - PUBLIC NOTICE ADVERT:LATE BILLING - (1.0000) CTP   t/a Lowveld Media	2 688	-
MP321_Opex_Professional Bodies Membership Fees and Subscriptions - REGISTRATION FEES FOR N SEBOKA AND S MKHONTO - (2.0000) THE INSTITUTE OF INTERNAL AUDITORS-SOUTH AFRICA	24 150	-
MP321_Opex_Radio slots - ADVERT OF IMSSA GAMES - (1.0000) MASHISHING COMMUNICATIONS   MASH FM	21 350	-
MP321_Opex_Advertising - NOTICE OF GENERAL RATES FOR 2019/20 - (1.0000) CTP   t/a Lowveld Media	57 936	-
MP321_Opex_Appointment of Service Providers - CONNECTIONDISCONNECTION,RECONNECTION INSPECTION - (1.0000)	197 800	-
MP321_Opex_Appointment of Service Providers - CONNECTIONDISCONNECTION,RECONNECTION INSPECTION - (1.0000)		-
MP321_Opex_Advertising - ADVERT NOTICE OF COUNCIL MEETING - (1.0000) CTP   t/a Lowveld Media	9 394	-
Advertisement of Vacant posts Regional CTP   t/a Lowveld Media	20 950	-
Advertisement of Vacant posts National Tiso black group	53 461	-
Advertisement of Tenders Tcm/T09-T11/2019-2020 Tiso black group	20 741	-
MP321_Opex_Advertising - ANIMAL IMPOUND- (1.0000) CTP   t/a Lowveld Media	10 209	-
Registration for MPAC training MS E Mkhonto ITC INTELLIGENCE TRANSFER CENTER	6 999	-
Advertisement of Tenders Tcm/T15/2019-2020 Tiso black group	18 803	-
Advertisement of Tenders Property Development Expression of Interest Tiso black group	16 045	-
Advert of Message to learners writing Matric Examination Lowveld Media	6 749	-
Message to learners writing Matric Examination Mashishing Communication	12 800	-
Tender advert (Tcm/T16-2019-20) Media 24	20 447	-
Advert for electricity disruption Mashishing Communication	10 050	-
Advertisement of Council Sitting Mashishing Communication	13 350	-
Advertisement of Water saving tips Lowveld Media	8 464	-
Advertisement of Council Sitting Lowveld Media	4 297	-
Advert of Festive season Mashishing Communications	48 000	-
Advert for Tender Arena Holdings	18 630	-
Advert of Festive season Lowveld Media( Steelburger)	9 958	-
Procurement of NT reporting template additional caseware for buget unit Adapt IT (pty) Ltd	154 987	-
Announcement of council meeting Mashishing Communications	13 350	-
Renewal of caseware system for budget unit Adapt IT (pty) Ltd	84 568	-
Advertisement/notice of Electricity Interruptions Mashishing Communications	10 500	-
Massege for learners writing exams Mashishing Communications	12 800	-
Public Notice for ordinary Council meeting Lowveld Media( Steelburger)	4 297	-
Publication of Tender Advert in national Newspaper on :20/02/2020 Arena Holdings	32 344	-
Live read notice for Council Meeting 2days 25/02/2020 Mashishing Communications	3 000	-
Publication of Tender Advert Whoodoo media and Advertising	24 581	-
Advertisement of Vacancy 39cmx129mm National newspaper Arena Holdings	47 182	-



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## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>46. Deviation from supply chain management regulations - Utilising a sole supplier (continued)</b>		
calibration -prolaser; Admin fee; Battery Lead Acid Sealed Recha; TRUVELO MANUFACTURERS P	11 748	-
Publication of Non-Executive director THALEDA Whoodoo media and Advertising	23 969	-
ADVERT OF DEBT INCENTIVE PLAN Lovweld Media( Steelburger)	10 989	-
Advert for debt Incentive Scheme Mashishing Communications	80 820	-
Supply and delivery of Digicert Secure Site Wicard Licenses Prima Secure (Pty) Ltd	193 000	-
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID -19 PANDEMIC THROUGH THE DISTRICT FUNDING SUPPORT. Intervention as part of combating the spread of COVID 19 Virus Cleaning of illegal dumping sites and installation of signs. OXIOR CIVIL ENTERPRISE	747 385	-
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus Procurement of PPE and various materials. (400 x disinfectants; 30 x thermometers)	391 272	-
JAMASE CONSULTING DEVELOPMENT		
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus Procurement of PPE and various materials. (115 x wipes containers; 100 gloves (boxes); 600 face shields; 350 sanitizers; 60 x thermometers; 1000 x hand wash sanitizers 70 %; 500 x disposable body suits; 100x disinfectants; 150 x boot covers)	1 488 300	-
JMLNT HOLDINGS		
Fumigation and disinfection of Municipal public spaces to mitigate the spread of the COVID-19 N3 Rapid response	250 000	-
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus Procurement of PPE and various materials. (75 x wipes containers 25 L; 160 x Gloves (boxes 100); 250 x Face shield; 950 had sanitizers; 350 x nobel chemical sani)	493 552	-
JAMASE CONSULTING DEVELOPMENT		
Repairs of Municipal Fences at Lydenburg Museum as part of Insurance claim	117 000	-
SINOVILLE FENCING ROSSLYN		
Refurbishment of de clerg, vootrekker and de lange streets in lydenburg	673 325	-
CORNERSTONE OUTSOURCING		
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus Procurement of PPE and various materials. VUSAKUTHULA TRADING AND PROJEC	428 400	-
Advert of notice of extension of closing date of tenders WHOODOO MEDIA	14 594	-
Outstanding invoice for notice for council sitting in third quarter MASHISHING COMMUNICATIONS	3 000	-
Verification of mSCOA AFS e-solution( dynamic mscoa viewer module; AFS module (2019/20 Grap template) DUCHARME CONSULTING	80 500	-
Advert of notice of closing date of tenders WHOODOO MEDIA	10 675	-
Review and identification of audit root causes and remedial action; development of budget and treasury internal controls and identification of revenue enhancement activities EPM AUDIT AND CONSULTING	521 094	-
Advertisement of expanded public works participants LOWVELD MEDIA	14 084	-
advertisement of approval of oversight report and adoption of 2017/2018 annual report LOWVELD MEDIA	5 413	-
advertisement of tariffs 2020/2021 FY LOWVELD MEDIA	15 172	-
Advertisement of tender (Augmentation of Mashishing water Supply scheme) WHOODOO MEDIA	12 782	-
Gazetting of Municipal By laws/tariffs GOVERNMENT PRINTING WOR	136 188	-
Advertisement of Budget for 2020/2021 FY LOWVELD MEDIA	89 723	-
Calibration of speed machine TRUVELO MANUFACTURERS	14 355	-
Gazetting of Municipal By laws/tariffs GOVERNMENT PRINTING WOR	14 123	-
Interval Maintenance of TLB LAEVELD TREKKERS ROCKY	31 068	-
Interval Maintenance of TLB ELB EQUIPMENT HOLDINGS	14 036	-
Interval Maintenance of TLB ELB EQUIPMENT HOLDINGS	8 003	-
REGISTRATION OF MPUMALANGA REGIONAL INDABA THE INSTITUTE OF INTERNAL AUDITORS-SOUTH AFRICA	14 300	-

2021-04-23

Auditor General South Africa  
Mpumalanga Business Unit



## Thaba Chweu Local Municipality

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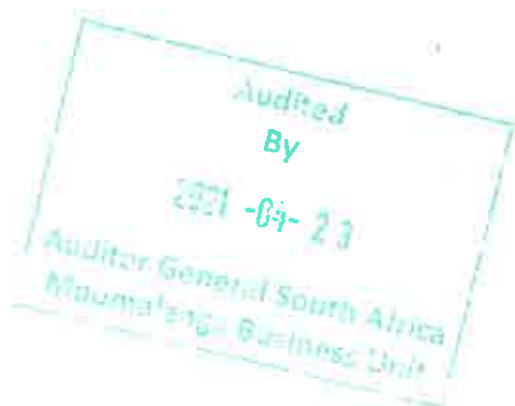
### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>46. Deviation from supply chain management regulations - Utilising a sole supplier (continued)</b>		
AUGUMENTATION OF MASHISHING WATER SUPPLY SCHEME (REFURBISHMENT OF BOREHOLES) IN THABA CHWEU MUNICIPALITY AS PART OF COVID-19 INTERVENTION MPHIRATI TRADING	7 773 648	
CONSTRUCTION WORKS: REFURBISHMENT OF 31 BOREHOLES AT THABA CHWEU LOCAL MUNICIPALITY ACMERT TRADING ENTERPRISE (PTY) LTD	4 142 015	
CONSTRUCTION WORKS: REFURBISHMENT OF SANITATION INFRASTRUCTURE IN THABA CHWEU MUNICIPALITY: MASHISHING X 2 SEWER PUMP STATION. BARUTENG TRADING ENTERPRISE	5 696 778	
	<b>24 841 700</b>	<b>12 522 809</b>

#### 47. Public Private Partnership ("PPP") - Disclosures

##### Duma Substation

The project is implemented through the use of private company with all risks passed on them and the Council resolved through resolution number A134/2018 to review the initial agreement focusing on financial model, value for money and non-compliance on procurement process. The negotiations with private company involved are still underway.



# Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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### 48. Going concern

During the financial year ended 30 June 2020 the Municipality has experienced operating losses of R165 055 564 (2019: loss (R90 064 489) including R185 625 535 (24%) increase in current liabilities compared to R 45 487 775 decrease in Cashflow generated from operations. Furthermore, the municipality has failed to settle its current obligations as and when they became due, the main problem being the Eskom account with the closing balance of R791 045 345 as at 30 June 2020.

As a result, there are significant uncertainties that concerning the Municipality continuing as a going concern and be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial statements.

However, the directors believe that the Municipality will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis. The budget outlook for 2020/2021 projects own revenue at R399 010 990 which directors believe the municipality will be able to collect and Operational Grants amounting to R186 658 000. Our capital budget is wholly funded by conditional allocation from National treasury which are ringfenced for the implementation council approved community. For 2020/2021 financial year the municipality will receive conditional grants amounting to R64 076 000.

The continuing financial viability of the Municipality and its ability to continue as a going concern is dependent upon successful implementation of the Financial Recovery Plan imposed on the municipality under section 139 (1) of Municipal Finance Management Act of 2003. Also internal driven efforts in growing the revenue base and/or accessing additional sources of capital, and/or selling non-strategic assets through the implementation of the reviewed revenue enhancement strategy.

The continuing viability of the Municipality and its ability to continue as a going concern is dependent upon the Municipality being successful in its continuing efforts in growing its revenue base and/or accessing additional sources of capital, and/or selling assets through the implementation of the reviewed revenue enhancement strategy. The current development of financial recovery plan that is required as a result of placement of the municipality under section 139 of Municipal Finance Management Act of 2003 will also force us to contain costs and focus on implementing impactful projects that will have direct link with our revenue enhancement initiatives so that service delivery can be sustain.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the Municipality not continue as a going concern. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 30 June 2020

### COVID 19 Expenditure

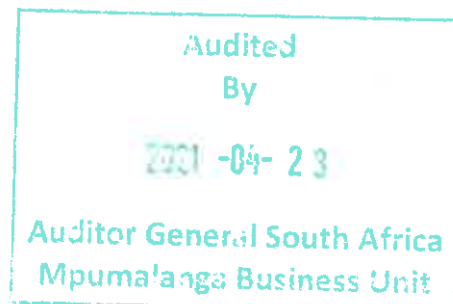
Thaba Chweu Municipality was exposed financially in addressing the COVID-19 pandemic. Budget to the tune of R27.7 million was made available through Reprioritisation of MIG grant and Operational Expenditure Budget during special adjustment budget to reprioritise funds for the purpose of addressing the pandemic. As at 30 June 2020 spending on COVID-19 was R11.2 million.

#### The budget of R27.7 million was funded as follows:

District Municipality Donation	R1 million (4%)
Disaster Relief Grant	R596 thousand (2%)
Internally Funded	R 2.6 million (9%)
MIG Funded	R23.5 million (85%)

#### The COVID-19 Expenditure of R11.2 is made up of the following procurement:

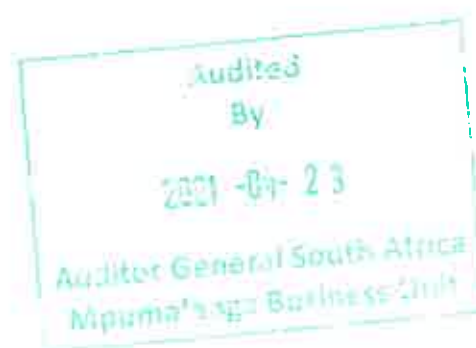
MIG capital projects	R7.8 million
Disaster Relief Grant Expenditure	R596 thousand
Operational Expenditure-Own funded	R1.8 millionAdditional
Ehlanzeni District Funded	R1 million



# Thaba Chweu Local Municipality

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\* See Note 37

