Mnquma Local Municipality
Annual Financial Statements
for the period ended 30 June 2021

General Information

Legal form of entity	The entity functions as a local municipality, established under paragraph 151 of the constitution of the Republic of South Africa.
Nature of business and principal activities	Mnquma Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no.117 of 1998). The Municipality's operations are governed by Municipal Finance Management Act 56 of 2003 - Municipal Structure 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	The following principal activities of the municipality are: - Provide democratic activities and accountable government - Ensure sustainable service delivery to communities - Provide social and economic development - Provide basic services to the community

Mayoral committee

Executive Mayor	S Ncetezo
Speaker	T Bikitsha
Chief Whip	Z Gade
Exco Councillors	L Mgandela
	T Nkamisa
	Z Mkiva
	N Layiti
	XI Pupuma
	NR Tshona
	TP Ntanga
	S Matutu
	N Thandaphi
	N Sheleni
	N Plaatjie
Councillors	N Lusizi
	NM Mpambani
	N Ntolosi
	ME Ntshonga
	GT Ntshonga
	Z Sobekwa
	SL Mafanya
	N Monakali
	NN Nqolomlilo
	Z Siyo
	AA Krakri
	LS Sobekwa
	GN Nombila
	B Kave
	ZC Mfazwe
	TZ Xhongwana
	N Lusizi
	T Ntyinkala
	NG Ndongeni
	NP Dube
	C Mtsi
	NH Kendle

General Information

	KG Magwaca
	M Mkhilili
	L Tsipa
	M Ndungane
	SN Tshazi
	WW Mbadlanyana
	WM Ntongana
	K Gobeni
	N Jiya
	MZ Mnqwazi
	ZA Mqolo
	ML Mtalo
	Z Mnqokoyi
	NL Zaba
	NQ Sukwana
	Y Mngonyama
	NH Skelenge
	SM Molosi
	MW Mbeki
	A Finca
	L Mbentsula
	S Lilise
	AB Madikane
	V Nkehle
	T Makeleni
	P Mbovane
Traditional leaders to participate in Mnquma Municipal Council	
	NS Ngxiya
	VL Mbasa
	WM Mahlangeni
	BL Ntleki
	ZM Dyantyi
	M Magodla
	N Nyhila
	D Mpangele
	BB Vuso
	M Nguza
	NVG Dondashe
	P Nguza
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	M Matomane
Accounting Officer	S Mahlasela
Registered office	Corner King and Umtata Street Butterworth 4960
Postal address	P.O. Box 36 Butterworth

General Information

	4960
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Preparer	The annual financial statements were internally compiled by: M Matomane
Telephone	(047) 401 2400
E-mali Address	sekhom23@gmail.com
Jurisdiction	Mnquma Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises an amalgamation of the the former Butterworth, Ngqamakhwe (previously Ngqamakhwe) and Centane Traditional Regional Councils. Mnquma Local Municipality shares borders with 3 other local municipalities: Mbhashe, Intsika Yethu and Great Kei. It also includes a number of previously administered rural areas.

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for 01 July 2021 to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The annual financial statements set out on pages 6 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed by him:

S Mahlasela
Municipal Manager

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	2	7 459 398	7 216 157
Receivables from non-exchange transactions	40&3	39 752 654	15 240 174
VAT receivable	40&4	951 657	2 577 266
Receivables from exchange transactions	40&5	1 190 534	1 077 054
Cash and cash equivalents	6	127 688 779	50 281 617
		177 043 022	**76 392 268**
Non-Current Assets			
Investment property	40&7	147 135 936	150 095 807
Property, plant and equipment	40&8	763 715 057	785 156 683
		910 850 993	**935 252 490**
Total Assets		**1 087 894 015**	**1 011 644 758**
Liabilities			
Current Liabilities			
Payables from exchange transactions	40&9	42 604 203	39 714 303
Employee benefit obligation	47	1 351 000	1 935 000
Unspent conditional grants and receipts	10	14 838 566	9 859 945
Provisions	12	1 283 954	1 115 017
		60 077 723	**52 624 265**
Non-Current Liabilities			
Employee benefit obligation	47	12 548 000	10 966 000
Total Liabilities		**72 625 723**	**63 590 265**
Net Assets		**1 015 268 292**	**948 054 493**
Reserves			
Revaluation reserve	40&11	369 019 234	461 452 974
Accumulated surplus	40	646 249 058	486 601 519
Total Net Assets		**1 015 268 292**	**948 054 493**

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	13	5 065 670	5 163 251
Rental of facilities	14	5 003 847	4 528 782
Interest on outstanding debtors	15	15 034 312	14 621 163
Income from agency fees	16	2 704 230	2 381 204
Licences and permits	17	1 059 738	1 307 494
Other income	4018	1 933 455	1 378 562
Interest received - investment	19	4 024 378	5 167 448
Closing stock adjustment		243 241	-
Total revenue from exchange transactions		**35 068 871**	**34 547 904**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	60 384 416	62 907 479
Transfer revenue			
Government grants & subsidies	21	410 778 751	327 585 899
Public contributions and donations	35	26 041 965	-
Traffic Fines	22	6 588 050	5 298 585
Total revenue from non-exchange transactions		**503 793 182**	**395 791 963**
Total revenue		**538 862 053**	**430 339 867**
Expenditure			
Employee related costs	23	(188 692 090)	(185 981 981)
Remuneration of councillors	24	(29 163 877)	(28 037 968)
Depreciation and amortisation	40&25	(115 453 116)	(113 418 693)
Impairment loss/ Reversal of impairments	40&26	(3 446 566)	(7 180 108)
Finance costs	40&27	(1 081 000)	(1 360 534)
Debt Impairment	28	(28 577 405)	(62 274 489)
Bulk purchases	29	(4 900 752)	(2 862 297)
Loss on disposal of assets	30	(14 348 592)	(21 826 874)
Repairs and maintenance	31	(9 112 036)	(3 677 971)
General expenses	40&32	(77 509 790)	(54 438 711)
Total expenditure		**(472 285 224)**	**(481 059 626)**
Surplus (deficit) for the year from continuing operations		**66 576 829**	**(50 719 759)**
Actuarial gains / (losses)	47	723 715	1 784 521
Surplus (deficit) for the year		**67 300 544**	**(48 935 238)**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	521 503 253	439 824 240	961 327 493
Correction of errors	40 935 465	(5 273 226)	35 662 239
Balance at 01 July 2019 as restated*	**562 438 717**	**434 551 014**	**996 989 731**
Changes in net assets			
Transfer from Revaluation Reserve to Accumulated Surplus	(100 985 744)	100 985 744	-
Net income (losses) recognised directly in net assets	(100 985 744)	100 985 744	-
Surplus (deficit) for the year	-	(48 935 238)	(48 935 238)
Total recognised income and expenses for the year	(100 985 744)	52 050 506	(48 935 238)
Total changes	(100 985 744)	52 050 506	(48 935 238)
Restated* Balance at 01 July 2020	**461 452 974**	**486 601 520**	**948 054 494**
Changes in net assets			
Correction of error	-	(86 751)	(86 751)
Transfer from Revaluation Reserve to Accumulated Surplus	(92 433 740)	92 433 740	-
Net income (losses) recognised directly in net assets	(92 433 740)	92 346 989	(86 751)
Surplus (deficit) for the year	-	67 300 544	67 300 544
Total recognised income and expenses for the year	(92 433 740)	159 647 533	67 213 793
Total changes	(92 433 740)	159 647 533	67 213 793
Balance at 30 June 2021	**369 019 234**	**646 249 053**	**1 015 268 287**
Note(s)	11		

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		18 063 250	16 762 270
Grants		415 757 372	327 112 629
Interest income		4 024 378	5 167 448
Other receipts		53 272 357	19 211 729
		491 117 357	368 254 076
Payments			
Employee costs		(216 688 434)	(216 664 588)
Suppliers		(88 397 833)	(61 920 040)
Finance costs		-	(104 561)
		(305 086 267)	(278 689 189)
Net cash flows from operating activities	33	**186 031 090**	**89 564 887**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(110 332 397)	(56 067 875)
Proceeds from sale of property, plant and equipment	8	1 708 469	41 134
Net cash flows from investing activities		**(108 623 928)**	**(56 026 741)**
Net increase/(decrease) in cash and cash equivalents		**77 407 162**	**33 538 146**
Cash and cash equivalents at the beginning of the year		50 281 617	16 743 471
Cash and cash equivalents at the end of the year	6	**127 688 779**	**50 281 617**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference	Percen
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							-
Service charges	5 300 000	-	**5 300 000**	5 065 670	**(234 330)**		-
Rental of facilities	3 725 213	-	**3 725 213**	5 003 847	**1 278 634**		-
Interest on outstanding debtors	9 237 119	-	**9 237 119**	15 034 312	**5 797 193**		-
Income from agency fees	4 500 000	-	**4 500 000**	2 704 230	**(1 795 770)**		-
Licences and permits	1 550 000	-	**1 550 000**	1 059 738	**(490 262)**		-
Other income	1 325 254	6 678 165	**8 003 419**	1 933 455	**(6 069 964)**		-
Interest received - investment	5 638 537	-	**5 638 537**	4 024 378	**(1 614 159)**		-
Total revenue from exchange transactions	**31 276 123**	**6 678 165**	**37 954 288**	**34 825 630**	**(3 128 658)**		-
Revenue from non-exchange transactions							-
Taxation revenue							-
Property rates	54 627 004	-	**54 627 004**	60 384 416	**5 757 412**		-
Transfer revenue							-
Government grants & subsidies	280 246 002	56 419 870	**336 665 872**	410 778 751	**74 112 879**		-
Public contributions and donations	-	-	**-**	26 041 965	**26 041 965**		-
Traffic fines	10 652 500	-	**10 652 500**	6 588 050	**(4 064 450)**		-
Total revenue from non-exchange transactions	**345 525 506**	**56 419 870**	**401 945 376**	**503 793 182**	**101 847 806**		-
Total revenue	**376 801 629**	**63 098 035**	**439 899 664**	**538 618 812**	**98 719 148**		-
Expenditure							-
Employee related costs	(194 261 729)	4 499 729	**(189 762 000)**	(188 692 090)	**1 069 910**		-
Remuneration of councillors	(24 707 275)	(4 499 725)	**(29 207 000)**	(29 163 877)	**43 123**		-
Depreciation and amortisation	(112 813 978)	(3 692 822)	**(116 506 800)**	(115 453 116)	**1 053 684**		-
Impairment loss/ Reversal of impairments	-	(3 500 000)	**(3 500 000)**	(3 446 566)	**53 434**		-
Finance costs	(5 000)	(1 256 000)	**(1 261 000)**	(1 081 000)	**180 000**		-
Debt Impairment	(38 639 003)	14 948 820	**(23 690 183)**	(28 577 405)	**(4 887 222)**		-
Bulk purchases	(4 000 000)	(1 212 000)	**(5 212 000)**	(4 900 752)	**311 248**		-
General expenses	(79 044 856)	(30 964 384)	**(110 009 240)**	(77 509 790)	**32 499 450**		-
Total expenditure	**(453 471 841)**	**(25 676 382)**	**(479 148 223)**	**(448 824 596)**	**30 323 627**		-
Operating surplus	**(76 670 212)**	**37 421 653**	**(39 248 559)**	**89 794 216**	**129 042 775**		-

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Gain/(Loss) on disposal of assets	249 999	-	**249 999**	(14 348 592)	**(14 598 591)**	-
Repairs and maintenance	(1 720 015)	(7 821 746)	**(9 541 761)**	(9 112 036)	**429 725**	-
Closing stock adjustment	-	-	**-**	243 241	**243 241**	-
	(1 470 016)	**(7 821 746)**	**(9 291 762)**	**(23 217 387)**	**(13 925 625)**	-
Surplus before taxation	**(78 140 228)**	**29 599 907**	**(48 540 321)**	**66 576 829**	**115 117 150**	-
Surplus for the year from continuing operations	**(78 140 228)**	**29 599 907**	**(48 540 321)**	**66 576 829**	**115 117 150**	-
Actuarial gains	-	-	**-**	723 715	**723 715**	-
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(78 140 228)**	**29 599 907**	**(48 540 321)**	**67 300 544**	**115 840 865**	-

Statement of Financial Position						
Assets						
Current Assets						
Inventories	7 770 015	-	**7 770 015**	7 459 398	**(310 617)**	
Receivables from non-exchange transactions	9 736 664	29 719 354	**39 456 018**	39 752 654	**296 636**	
VAT receivable	-	1 300 000	**1 300 000**	951 657	**(348 343)**	
Receivables from exchange transactions	2 108 406	(908 406)	**1 200 000**	1 190 534	**(9 466)**	
Cash and cash equivalents	37 595 965	28 000 000	**65 595 965**	127 688 779	**62 092 814**	
	57 211 050	**58 110 948**	**115 321 998**	**177 043 022**	**61 721 024**	
Non-Current Assets						
Investment property	153 132 001	-	**153 132 001**	147 135 936	**(5 996 065)**	
Property, plant and equipment	929 304 420	30 326 235	**959 630 655**	763 715 057	**(195 915 598)**	
	1 082 436 421	**30 326 235**	**1 112 762 656**	**910 850 993**	**(201 911 663)**	
Total Assets	**1 139 647 471**	**88 437 183**	**1 228 084 654**	**1 087 894 015**	**(140 190 639)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	40 000 566	2	**40 000 568**	42 604 203	**2 603 635**	
Employee benefit obligation	1 977 986	(115 986)	**1 862 000**	1 351 000	**(511 000)**	
Unspent conditional grants and receipts	-	-	**-**	14 838 566	**14 838 566**	
Provisions	-	1 400 000	**1 400 000**	1 283 954	**(116 046)**	
	41 978 552	**1 284 016**	**43 262 568**	**60 077 723**	**16 815 155**	
Non-Current Liabilities						
Employee benefit obligation	10 609 985	-	**10 609 985**	12 548 000	**1 938 015**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Total Liabilities	**52 588 537**	**1 284 016**	**53 872 553**	**72 625 723**	**18 753 170**	
Net Assets	**1 087 058 934**	**87 153 167**	**1 174 212 101**	**1 015 268 292**	**(158 943 809)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	2 193 689 996	-	**2 193 689 996**	369 019 234	**(1 824 670 762)**	
Accumulated surplus	(9 785 936)	64 497 673	**54 711 737**	685 400 928	**630 689 191**	
Total Net Assets	**2 183 904 060**	**64 497 673**	**2 248 401 733**	**1 054 420 162**	**(1 193 981 571)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

Accounting Policies

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards Issued and Effective
• GRAP 1 - Presentation of Financial Statements (as revised in 2010)
• GRAP 2 - Cash Flow Statements (as revised in 2010)
• GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
• GRAP 4 - The Effects of changes in Foreign Exchange Rates (as revised in 2010)
• GRAP 5 - Borrowing Costs
• GRAP 6 - Consolidated and Separate Financial Statements
• GRAP 7 - Investments in Associates
• GRAP 8 - Interests in Joint Ventures
• GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
• GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)
• GRAP 11 - Construction Contracts (as revised in 2010)
• GRAP 12 - Inventories (as revised in 2010)
• GRAP 13 - Leases (as revised in 2010)
• GRAP 14 - Events After the Reporting Date (as revised in 2010)
• GRAP 16 - Investment Property (as revised in 2010)
• GRAP 17 - Property Plant and Equipment (as revised in 2010)
• GRAP 18 - Segment Reporting
• GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
• GRAP 20 - Related Party Disclosures
• GRAP 21 - Impairment of non-cash-generating assets
• GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
• GRAP 24 - Presentation of Budget Information in Financial Statements
• GRAP 25 – Employee Benefits
• GRAP 26 - Impairment of cash-generating assets
• GRAP 27 - Agriculture
• GRAP 31 - Intangible Assets
• GRAP 32 - Service Concession Arrangements: Grantor
• GRAP 34 - Separate Financial Statements
• GRAP 35 - Consolidated Financial Statements
• GRAP 36 - Investments in Associates and Joint Ventures
• GRAP 37 - Joint Arrangements
• GRAP 38 - Disclosures of Interests in Other Entities
• GRAP 100 - Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
• GRAP 103 - Heritage Assets
• GRAP 104 - Financial Instruments
• GRAP 105 - Transfer of functions between entities under common control
• GRAP 106 - Transfer of functions between entities not under common control
• GRAP 107 - Mergers
• GRAP 108 - Statutory Receivables
• GRAP 109 - Accounting by Principals and Agents
• GRAP 110 - Living and Non-living Resources

Standards Issued, Not Yet Effective Date
• GRAP 25 – Employee Benefits
• GRAP 104 - Financial Instruments

Interpretations - Approved and effective
• IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
• IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
• IGRAP 3 - Determining Whether an Arrangement Contains a Lease
• IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
• IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting In hyperinflationary Economies
• IGRAP 6 - Loyalty Programmes
• IGRAP 7 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
• IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
• IGRAP 9 - Distributions of Non-cash Assets to Owners
• IGRAP 10 - Assets Received from Customers
• IGRAP 11 - Consolidation - Special Purpose Entities

Accounting Policies

- IGRAP 12 - Jointly Controlled Entities - Non-Monetary Contributions
- IGRAP 13 - Operating Leases - Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue - Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)
- IGRAP 17 - Service Concession Arrangements where Grantor Controls Significant Residual Interest
- IGRAP 18 - Recognition and Derecogntion of Land
- IGRAP 19 - Liabilities to Pay Levies
- IGRAP 20 - Accounting for Adjustments to Revenue

Interpretations – Approved and not yet effective
- IGRAP 7 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios will be similar to the historical payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the debtor's impairment. On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on 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 the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and 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. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

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 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on industry norm. This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

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 47.

Effective interest rate

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

1.4 Investment property (continued)

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	5 - 100 years

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

- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.
- Land held without determined future use.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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.

Subsequent measurement

After initial recognition, infrastructure, community assets and operational buildings are measured using the revaluation method. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value. When an asset is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in municipality or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in municipality or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in municipality or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity relating to a specific item infrastructure, community assets and operational buildings is transferred directly to retained earnings when the asset is derecognised.

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
Furniture and fixtures	Straight line	3-23 Years
Office equipment	Straight line	3-16 Years
Infrastructure Roads and Storm Water	Straight line	5-100 Years
Buildings	Straight line	20-30 Years
Recreational facilities	Straight line	20-30 Years
Security	Straight line	5 Years
Halls	Straight line	30 Years
Libraries	Straight line	30 Years
Parks and Gardens	Straight line	30 Years
Other community assets	Straight line	20-30 Years
Specialised vehicles	Straight line	5-10 Years
Other Vehicles	Straight line	3-5 Years
Watercraft	Straight line	5-15 Years
Bins and Containers	Straight line	3-5 Years

Accounting Policies

1.5 Property, plant and equipment (continued)

Specialised Plant and Equipment	Straight line	10-15 Years
Other items of Property, plant and Equipment	Straight line	5-23 Years
Computer equipment	Straight line	2-3 Years
Plant and Machinery	Straight line	5-31 Years
Landfill Site	Straight line	20-50 Years
Leased vehicles	Straight line	4-27 Years
Leased office Equipment	Straight line	4-27 Years

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

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

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

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

The depreciation charge for each period is recognised in municipality 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 municipality or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

1.6 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.

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in municipality or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Financial instruments

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

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

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality’s statement of financial position.

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.7 Financial instruments (continued)

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

Classification

The 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:

Financial asset	**Classification in terms of GRAP 104**
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and bank	Financial asset measured at amortised cost
Short-term deposits (Call accounts)	Financial asset measured at amortised cost

The municipality 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:

Financial liability	**Classification in terms of GRAP 104**
Payables from exchange transactions	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.

1.7 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.
- Financial instruments at cost.

All financial assets measured at amortised cost, or 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 municipality 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. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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 municipality or deficit.

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

1.7 Financial instruments (continued)

Impairment and uncollectibility of financial assets

Financial assets measured at amortised cost:

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

Presentation

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

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.

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

1.9 Inventories (continued)

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

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

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

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

1.10 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use, the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in municipality or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach, the selection depends on the availability of data and nature of the impairment.

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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 municipality 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 municipality 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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality’s own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- the municipality’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

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

1.12 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 municipality 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 municipality 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 municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.12 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.

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

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

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the 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 municipality 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 municipality or deficit.

1.12 Employee benefits (continued)

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 municipality 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, the 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, the 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.

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 [OR is not] 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 municipality 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.

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to 1be settled.

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

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

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

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality’s own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid. Termination benefits are employee benefits payable as a result of either:
- the municipality’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits. Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

1.13 Provisions and contingencies

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

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

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

1.13 Provisions and contingencies (continued)

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).

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

1.13 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 municipality 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 tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

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

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in municipality 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 municipality or deficit as a finance cost as it occurs.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 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.

1.15 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

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

1.16 Revenue from non-exchange transactions

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

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

Recognition

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

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

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.

1.16 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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 municipality.

Where settlement discount or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

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

1.16 Revenue from non-exchange transactions (continued)

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

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

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

1.17 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses will be recognized when these are incurred and measured at cost excluding VAT.

1.18 Borrowing costs

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

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

1.19 Comparative figures

Where necessary, comparative figures 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.

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 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 municipality'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.

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

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

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

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

1.23 Budget information

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

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

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 2020/07/01 to 2021/06/30.

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

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

In terms of GRAP 20 for related party disclosure, a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

Accounting Policies

1.24 Related parties (continued)

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

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

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

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

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

1.25 Vat

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. Inventories

Consumable stores	1 043 096	799 855
Assets held for distribution	6 416 302	6 416 302
	7 459 398	**7 216 157**

In the current year an amount of R 2 306 916 (2020: R 2 691 850) was expensed with respect to consumable stores.

Inventory held for distribution

Assets held for distribution relate to land on which RDP houses are built and are awaiting transfers.

No inventory was pledged as security.

3. Receivables from non-exchange transactions

Allowance for impairment - Traffic fines	(15 710 050)	(10 674 310)
Traffic fines	15 714 810	10 674 310
Property rates	157 174 352	142 128 108
Allowance for impairment - Property rates	(117 426 458)	(126 887 934)
	39 752 654	**15 240 174**

Property rates		
Current 0 - 30 days	18 128 180	1 735 649
31 - 60 days	5 345 456	4 580 943
61 - 90 days	5 087 390	4 581 569
91 - 120 days	5 846 246	4 674 433
121 - 150 days	2 764 509	4 581 298
> 150 days	120 002 571	121 975 242
	157 174 352	**142 129 134**

Traffic fines		
Current 0 - 30 days	444 300	419 900
31 - 60 days	455 300	361 300
61 - 90 days	647 900	363 900
91 - 120 days	538 100	469 600
> 150 days	13 629 210	9 059 610
	15 714 810	10 674 310

4. VAT receivable

VAT	951 657	2 577 266

Figures in Rand	2021	2020

5. Receivables from exchange transactions

Gross balances		
Refuse	40 834 428	35 109 637
Housing rental	14 996 362	11 890 508
Other receivables	-	14 536
	55 830 790	**47 014 681**
Less: Allowance for impairment		
Refuse	(39 698 564)	(34 213 296)
Housing rental	(14 941 692)	(11 724 331)
	(54 640 256)	**(45 937 627)**
Net balance		
Refuse	1 135 864	896 341
Housing rental	54 670	166 177
Other receivables	-	14 536
	1 190 534	**1 077 054**
Reconciliation of allowance for impairment		
Balance at the beginning of the year	45 937 626	35 805 908
Contributions to allowance	10 643 582	10 131 718
Bad debts written-off	(1 940 952)	-
	54 640 256	**45 937 626**
Net balance	**54 640 256**	**45 937 626**
Refuse		
Current (0 -30 days)	703 409	727 789
31 - 60 days	687 543	723 401
61 - 90 days	681 150	742 859
91 - 120 days	676 074	754 633
121 - 150 days	668 716	735 541
> 150 days	37 417 536	31 334 589
	40 834 428	**35 018 812**
Housing rental		
Current (0 - 30 days)	456 881	459 279
31 - 60 days	398 386	439 516
61 - 90 days	396 149	431 052
91 - 120 days	393 191	432 586
121 - 150 days	389 321	427 819
> 150 days	12 962 434	9 700 256
	14 996 362	**11 890 508**
Other		
Current (0 -30 days)	-	14 536

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 523 153	1 928 233
Short-term deposits	123 165 626	48 353 384
	127 688 779	**50 281 617**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Primary Bank Account	4 508 858	2 032 843	2 686 200	4 523 153	1 928 233	2 827 768
FNB - MIG Call Acc: 62240253542	6 556 970	28 012	958 733	6 556 970	28 012	958 733
FNB - FMG: 62240252768	1 109	1 501	1 313	1 109	1 501	1 313
FNB - T/A	-	-	-	-	-	18
FNB - Call Acc: 62240252198	12 728 766	13 430 414	9 820 425	12 728 766	13 430 414	9 820 425
FNB - INEP: 62326177559	5 189	1 274	1 854 920	5 189	1 274	1 854 920
FNB - EPWP: 62345680195	1 099	1 763	415	1 099	1 763	415
FNB - LG SETA: 62380069437	351 698	1 070 221	418 028	351 698	1 070 221	418 028
FNB - TOA: 74737909900	1 543 796	1 457 292	856 453	1 543 796	1 457 292	856 454
FNB - ENATIS: 62772809904	382 332	2 168 198	5 397	382 332	2 168 198	5 397
FNB - DSRAC: 62823144233	1 090 391	782 212	-	1 090 391	782 212	-
FNB - VAT: 62823142774	100 504 276	29 412 479	-	100 504 276	29 412 479	-
Total	**127 674 484**	**50 386 209**	**16 601 884**	**127 688 779**	**50 281 599**	**16 743 471**

7. Investment property

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	205 654 735	(58 518 799)	147 135 936	205 654 735	(55 558 928)	150 095 807

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	150 095 807	(2 959 871)	147 135 936

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Impairments	Total
Investment property	153 064 234	(2 968 092)	(335)	150 095 807

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.

Figures in Rand	2021	2020

7. Investment property (continued)

The municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act (Act 6 of 2004), the municipality is required to perform a general valuation once every four (4) years.
The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Land that is sitting as investment properties is not depreciated, only the buildings component of the investment properties is depreciated.

8. Property, plant and equipment

	2021			2020		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	50 394 300	-	50 394 300	50 394 300	-	50 394 300
Plant and machinery	42 331 431	(13 339 782)	28 991 649	19 494 358	(13 354 337)	6 140 021
Furniture and fixtures	6 552 156	(5 400 430)	1 151 726	6 590 189	(5 560 110)	1 030 079
Motor vehicles	7 382 139	(2 948 811)	4 433 328	6 500 904	(3 184 102)	3 316 802
Computer equipment	4 717 576	(3 187 700)	1 529 876	4 933 965	(3 020 660)	1 913 305
Infrastructure	1 709 387 372	(1 120 082 806)	589 304 566	1 697 588 980	(1 054 912 892)	642 676 088
Buildings	132 757 720	(52 405 817)	80 351 903	85 024 898	(48 400 645)	36 624 253
Other property, plant and equipment	202 262	(164 304)	37 958	174 586	(161 319)	13 267
Work in progress	7 519 751	-	7 519 751	43 048 568	-	43 048 568
Total	**1 961 244 707**	**(1 197 529 650)**	**763 715 057**	**1 913 750 748**	**(1 128 594 065)**	**785 156 683**

Reconciliation of property, plant and equipment - 2021

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Transfers made**	**Depreciation**	**Impairment loss**	**Total**
Land	50 394 300	-	-	-	-	-	-	50 394 300
Plant and machinery	6 140 021	25 356 309	(688 529)	-	-	(1 816 060)	(92)	28 991 649
Furniture and fixtures	1 030 079	340 018	(35 233)	-	-	(182 167)	(971)	1 151 726
Motor vehicles	3 316 802	1 894 793	(211 121)	-	-	(567 146)	-	4 433 328
Computer equipment	1 913 305	37 515	(25 247)	-	-	(395 697)	-	1 529 876
Infrastructure	642 676 088	-	(14 382 358)	69 517 739	-	(105 153 235)	(3 353 668)	589 304 566
Buildings	36 624 253	26 148 489	(491 731)	22 538 676	-	(4 375 955)	(91 829)	80 351 903
Other property, plant and equipment	13 267	27 675	-	-	-	(2 984)	-	37 958
Work in progress	43 048 568	76 842 644	-	(92 056 415)	(20 315 046)	-	-	7 519 751
	785 156 683	**130 647 443**	**(15 834 219)**	**-**	**(20 315 046)**	**(112 493 244)**	**(3 446 560)**	**763 715 057**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Total
Land	50 394 300	-	-	-	-	-	-	50 394 300
Plant and machinery	6 407 396	59 149	(2 436)	-	-	(324 088)	-	6 140 021
Furniture and fixtures	1 186 087	120 551	(106 419)	-	-	(170 140)	-	1 030 079
Motor vehicles	3 693 976	-	-	-	-	(377 174)	-	3 316 802
Computer equipment	566 872	1 453 759	-	-	-	(107 326)	-	1 913 305
Infrastructure	729 784 218	-	(21 754 562)	47 822 152	-	(106 064 967)	(7 022 359)	642 676 088
Buildings	36 694 780	-	(4 396)	3 408 444	-	(3 405 554)	(157 415)	36 624 253
Other property, plant and equipment	14 620	-	-	-	-	(1 353)	-	13 267
Work in progress	39 844 748	64 396 440	-	(51 230 596)	(9 962 024)	-	-	43 048 568
	868 586 997	**66 029 899**	**(21 867 813)**	**-**	**(9 962 024)**	**(110 450 602)**	**(7 179 774)**	**785 156 683**

Figures in Rand	2021	2020

8. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Saturday, 15 June 2019. Revaluations were performed by independent valuer, Mr Stafford Leyds [Professional Associated Valuer (Registered In Terms of Section 2 of the Property Valuers Professions Act, 2000), of SAPIG Prop Dev CC. SAPIG Prop Dev CC is not connected to the municipality.

Infrastructure, community assets and operational buildings are re-valued independently every 4 years.

The valuation was performed using the following methods:
a) Comparable Sales Approach:
This approach the analysis of recent comparable sales of physically and legally similar properties in the general vicinity of the subject property. This method typically applies to single family homes and land.

b) Depreciated Replacement Cost Approach:
The Cost approach values a property based on what it would cost to build the property today, taking into consideration the depreciation by various factors. The current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

c) The Income Capitalization Approach:
This approach considers the value of the income stream that a property generates or could generate. This method typically applies to commercial or income-generating properties.

These assumptions were based on current market conditions.

Donations

It should be noted that the municipality received donations of property, plant and equipment from the Department of Sports, Recreation, Arts and Culture during the 2020/2021 financial year.

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.

9. Payables from exchange transactions

	2021	2020
Trade payables	11 654 464	8 027 183
Advance payment- consumer debtors	2 211 011	2 675 796
Unallocated deposit	-	915 242
Payroll control	177 486	238 876
Retention payable	6 566 684	5 882 416
Bonus Accrual	4 295 824	4 270 964
Leave Accrual	17 679 562	17 703 826
Under & over banking	19 172	-
	42 604 203	**39 714 303**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	6 529 699	-
Disaster Grant - COVID 19	-	1 670 534
Department of Sports, Recreation and Culture (DSRAC)	1 088 243	685 475
Local Government (LGSETA)	350 584	633 896
Department of Energy (EDM)	6 870 040	6 870 040
	14 838 566	**9 859 945**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Unspent conditional grants and receipts (continued)

Movement during the year

	2021	2020
Balance at the beginning of the year	9 859 945	10 333 215
Additions during the year	90 023 372	70 847 628
Income recognition during the year	(83 374 217)	(68 730 710)
Roll-over not approved	-	(2 590 188)
Repaid to National Treasury	(1 670 534)	-
	14 838 566	**9 859 945**

The above note represents 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 21 for reconciliation of grants from National/Provincial Government.

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

11. Revaluation reserve

The revaluation reserve is not distributable, given that this is a municipality.

	2021	2020
Opening balance	461 452 974	562 438 718
Change during the year	(92 433 740)	(100 985 744)
	369 019 234	**461 452 974**

12. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	1 115 017	1 056 623	(887 686)	1 283 954

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	1 115 017	977 781	(977 781)	1 115 017

13. Service charges

	2021	2020
Refuse removal	5 065 670	5 163 251

14. Rental of facilities

	2021	2020
Rental of flats	5 003 847	4 528 782

15. Interest on outstanding debtors

	2021	2020
Interest on debtors	15 034 312	14 621 163

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Income from agency fees

Income from agency fees	2 704 230	2 381 204

17. Licences and permits

Licences and permits	1 059 738	1 307 494

18. Other Income

Building plan fees	80 965	69 591
Cemetery fees	57 952	39 203
Clearance certificate fees	16 522	1 328
Commissions received	145 134	204 060
Other Income	958 981	10 935
Tender fees	16 151	583 192
Retentions realised	641 974	470 253
Valuation service fees	15 776	-
	1 933 455	**1 378 562**

19. Investment revenue

Interest revenue		
Bank	4 024 378	5 167 448

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Property rates

Rates received

Property rates	60 384 416	62 907 479

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are conducted at least once on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Valuations were performed by independent valuer, Mr Tshepo Mokhuwa (Registration number 7006/9). Tariffs are applied as follows:

Residential
A general rate of R0.01178 - (2020 - R0.01178) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial
A general rate of R0.01519 - (2020 - R0.01519) is applied to business and commercial property valuations to determine assessment rates.

Vacant
A general rate of R0.02917 - (2020 - R0.02917) is applied to vacant property valuations to determine assessment rates.

State Owned
A general rate of R0.02466 - (2020 - R0.02466) is applied to state owned property valuations to determine assessment rates.

Small Holdings and Farms
A general rate of R0.00311 - (2020 - R0.00311) is applied to small holdings and farm property valuations to determine assessment rates.

Industrial
A general rate of R0.0149 - (2020 - R0.0149) is applied to industrial property valuations to determine assessment rates.

Rebates
Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

Figures in Rand	2021	2020

21. Government grants and subsidies

Operating grants		
Equitable share	327 404 534	258 855 188
Finance Management Grant	1 700 000	1 700 000
Extended Public Works Programme	1 695 000	1 740 000
Department of Sports, Recreation and Culture (DSRAC)	97 232	214 525
Disaster Grant - COVID 19	-	266 466
LG SETA	710 684	700 720
	331 607 450	**263 476 899**
Capital grants		
Municipal Infrastructure Grant (MIG)	69 901 301	62 609 000
Integrated National Electrification Programme (INEP)	9 270 000	1 500 000
	79 171 301	**64 109 000**
	410 778 751	**327 585 899**

Equitable Share

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

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as the operations of the municipality.
All registered indigents receive the following subsidies:
1. For all electricity beneficiaries, 50 KW per month
2. Rebates of R20,000 are granted to residential property owners.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	920 172
Current-year receipts	76 431 000	62 609 000
Conditions met - transferred to revenue	(69 901 301)	(62 609 000)
Roll-over not approved	-	(920 172)
	6 529 699	**-**

Conditions still to be met - remain liabilities (see note 10).

Local Government (LGSETA)

Balance unspent at beginning of year	633 896	472 988
Current-year receipts	427 372	861 628
Conditions met - transferred to revenue	(710 684)	(700 720)
	350 584	**633 896**

Conditions still to be met - remain liabilities (see note 10).

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-

Conditions still to be met - remain liabilities (see note 10).

21. Government grants and subsidies (continued)

Extended Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	1 695 000	1 740 000
Conditions met - transferred to revenue	(1 695 000)	(1 740 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	1 670 016
Current-year receipts	9 270 000	1 500 000
Conditions met - transferred to revenue	(9 270 000)	(1 500 000)
Roll-over not approved	-	(1 670 016)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Department of Sports, Recreation and Culture (DSRAC)

Balance unspent at beginning of year	685 475	400 000
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(97 232)	(214 525)
	1 088 243	**685 475**

Conditions still to be met - remain liabilities (see note 10).

Disaster Grant - COVID 19

Balance unspent at beginning of year	1 670 534	-
Current-year receipts	-	1 937 000
Conditions met - transferred to revenue	-	(266 466)
Grant repaid to National Treasury	(1 670 534)	-
	-	**1 670 534**

Conditions still to be met - remain liabilities (see note 10).

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

22. Traffic Fines

Traffic Fines	6 588 050	5 298 585

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Employee related costs

Basic salary	133 258 582	127 585 634
Medical aid	9 505 947	9 289 925
Unemployment Insurance Fund	844 984	815 209
Skills Development Levy	958 649	1 670 799
SALGA Levy	51 391	50 869
Leave pay provision charge	2 034 679	4 343 263
Pension fund contributions	23 166 710	22 661 683
Travel, motor car, accommodation, subsistence and other allowances	1 348 493	1 214 809
Overtime payments	1 277 566	1 478 004
Long-service awards	1 434 000	1 575 000
13th Cheques	11 546 653	12 796 109
Acting allowances	602 602	289 586
Housing benefits and allowances	218 944	142 520
Other allowances	138 075	92 872
Cell phone allowances	2 304 815	1 975 699
	188 692 090	**185 981 981**

Remuneration of Municipal Manager - S Mahlasela

Annual remuneration	827 194	809 321
Backpay	113 193	-
Performance bonus	156 239	161 864
Cell phone allowance	111 359	108 953
Contributions to pension fund	223 131	218 310
Travel allowance	216 973	212 285
UIF	1 898	1 785
SDL	16 047	14 683
	1 666 034	**1 527 201**

Remuneration of Chief Finance Officer - M Matomane

Annual remuneration	676 163	661 554
Backpay	92 526	-
Performance bonus	116 103	132 311
Cell phone allowance	37 464	36 654
Contributions to pension fund	182 391	178 450
Contributions to medical aid	43 653	42 710
Travel allowance	187 268	183 222
UIF	1 898	1 785
SDL	12 981	11 983
	1 350 447	**1 248 669**

23. Employee related costs (continued)

Remuneration of Director of Corporate Services - S Caga

	2021	2020
Annual remuneration	676 163	661 554
Backpay	92 526	-
Performance bonus	139 323	143 337
Cell phone allowance	79 739	78 016
Contributions to pension fund	135 104	132 185
Contributions to medical aid	42 206	41 295
Travel allowance	193 726	189 540
UIF	1 898	1 785
SDL	13 200	12 080
	1 373 885	**1 259 792**

Remuneration of Directors of Infrastructure - Z Ntile

	2021	2020
Annual remuneration	676 163	661 554
Backpay	92 526	-
Performance bonus	116 103	132 311
Cell phone allowance	82 666	80 880
Contributions to pension fund	182 391	178 450
Contributions to medical aid	43 653	42 710
Travel allowance	142 065	138 996
UIF	1 898	1 785
SDL	11 246	10 285
	1 348 711	**1 246 971**

Remuneration of Director of Community Services - M Kibi

	2021	2020
Annual remuneration	676 163	661 554
Backpay	92 526	-
Performance bonus	127 713	132 311
Cell phone allowance	63 828	62 449
Contributions to pension fund	173 850	170 093
Travel allowance	213 098	208 494
UIF	1 898	1 785
SDL	11 693	10 609
	1 360 769	**1 247 295**

Remuneration of Director of Local Economic Development and Planning - M Dilika

	2021	2020
Annual remuneration	676 163	661 554
Backpay	92 526	-
Performance bonus	116 103	132 311
Cell phone allowance	81 479	79 719
Contributions to medical aid	51 299	50 190
Contributions to pension fund	182 390	178 449
Travel allowance	135 608	132 678
UIF	1 898	1 785
SDL	11 259	10 297
	1 348 725	**1 246 983**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Employee related costs (continued)

Remuneration of Director of Strategic Management-S Benya

Annual remuneration	676 163	661 554
Backpay	92 526	-
Performance bonus	116 103	143 337
Cell phone allowance	28 053	27 447
Contributions to pension fund	182 390	178 449
Contributions to medical aid	87 435	85 546
Travel allowance	152 898	149 594
UIF	1 898	1 785
SDL	11 224	10 374
	1 348 690	**1 258 086**

24. Remuneration of councillors

Executive Mayor	912 691	905 259
Chief Whip	695 676	671 446
Speaker	739 078	733 088
Mayoral Committee Members	7 229 492	6 422 600
Other Councillors	19 586 940	19 305 575
	29 163 877	**28 037 968**

25. Depreciation and amortisation

Property, plant and equipment	112 493 245	110 450 601
Investment property	2 959 871	2 968 092
	115 453 116	**113 418 693**

26. Impairment of assets

Property, plant and equipment	3 446 566	7 180 108

27. Finance costs

Interest on overdue accounts	-	104 534
Actuarial interest	1 081 000	1 256 000
	1 081 000	**1 360 534**

28. Debt impairment

Receivables from non-exchange transactions	13 238 973	44 310 325
Receivables from exchange transactions	10 643 581	10 131 719
Bad debts written off	4 694 851	7 832 445
	28 577 405	**62 274 489**

29. Bulk purchases

Electricity	4 900 752	2 862 297

30. Gain/(Loss) on disposal of assets

Gain or (loss) on disposal of assets during the year	(14 348 592)	(21 826 874)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Repairs and maintenance

Repairs and maintenance	9 112 036	3 677 971

32. General expenses

Advertising	2 046 616	1 039 728
Auditors remuneration	3 391 878	2 584 322
Bank charges	367 669	487 147
Computer expenses	8 298 021	4 224 997
Professional fees	3 341 753	6 276 447
Consumables	2 306 916	1 719 958
Legal fees	2 131 965	4 213 156
Discount allowed	2 570 298	1 251 090
Civic functions	357 877	184 077
Car licences and registrations	230 657	4 194
Workmen's compensation	2 095 297	905 149
Hire	59 661	292 570
Insurance	185 219	107 590
Refuse bags	2 193 645	2 250 810
Remuneration to Section 79 Committee Members	393 800	108 200
Fuel and oil	2 581 665	2 067 722
Uniform and protective clothing	1 527 906	835 588
Security	1 281 716	888 678
Post and telecommunications	2 801 361	1 692 555
Electricity	11 364 970	5 252 009
Operating project expenditure	4 128 713	4 599 592
Subsistence and travelling	1 241 046	2 597 476
Sundry expenses	289 464	6 043
Operating lease	696 508	699 744
Transfers to private enterprises	6 294 664	161 730
Electrification projects	15 115 129	9 962 024
Signage	215 376	26 115
	77 509 790	**54 438 711**

33. Cash generated from operations

Surplus (deficit)	67 300 544	(48 935 238)
Adjustments for:		
Depreciation and amortisation	115 453 116	113 418 693
Loss on sale of assets and liabilities	14 348 592	21 826 874
Impairment deficit	3 446 566	7 180 108
Movements in employee benefit obligation	998 000	313 000
Movements in provisions for performance bonus	168 937	-
Other non-cash items	(309 594)	-
Changes in working capital:		
Inventories	(243 241)	311 905
Receivables from non-exchange transactions	(24 512 480)	(4 049 585)
Receivables from exchange transactions	(113 480)	(104 763)
Payables from exchange transactions	2 889 900	243 837
VAT	1 625 609	(1 113 214)
Unspent conditional grants and receipts	4 978 621	473 270
	186 031 090	**89 564 887**

34. Auditors' remuneration

Fees	3 391 878	2 584 322

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. Public contributions and donations

Public contributions and donations	26 041 965	-

The municipality received donations of property, plant and equipment from the Department of Sports, Recreation, Arts and Culture during the 2020/2021 financial year.

36. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 190 534	1 190 534
Receivables from non-exchange transactions	39 752 654	39 752 654
Cash and cash equivalents	127 688 779	127 688 779
	168 631 967	**168 631 967**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	42 604 203	42 604 203

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 077 054	1 077 054
Receivables from non-exchange transactions	15 240 174	15 240 174
Cash and cash equivalents	50 281 617	50 281 617
	66 598 845	**66 598 845**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	39 714 303	39 714 303

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Capital	10 266 555	31 966 662
Total capital commitments		
Authorised capital expenditure	10 266 555	31 966 662

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	10 266 555	31 966 662

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	154 420	537 113
- in second to fifth year inclusive	-	134 278
	154 420	**671 391**

Operating lease payments represent rentals payable by the municipality for photocopying machines leased from Konica Minolta. Leases are negotiated for an average term not exceeding three years. No contingent rent is payable. There are no escalation clauses.

The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Notes to the Annual Financial Statements

38. Related parties

Relationships

Municipal Manager	S Mahlasela - refer to note 23
Chief Financial Officer	M Matomane - refer to note 23
Director of Strategic Management	S Benya - refer to note 23
Director of Corporate Services	S Caga - refer to note 23
Director of Infrastructural Planning & Development	Z Ntile - refer to note 23
Director of Community Services	M Kibi - refer to note 23
Director of Local Economic Development	M Dilika - refer to note 23
Executive Mayor	S Ncetezo - refer to note 24
Speaker	T Bikitsha - refer to note 24
Chief Whip	Z Gade - refer to note 24
Exco Councillors	L Mgandela - refer to note 24
	T Nkamisa - refer to note 24
	Z Mkiva - refer to note 24
	N Layiti - refer to note 24
	XI Pupuma - refer to note 24
	NR Tshona - refer to note 24
	TP Ntanga - refer to note 24
	S Matutu - refer to note 24
	N Thandaphi - refer to note 24
	N Sheleni - refer to note 24
	N Plaatjie - refer to note 24
Councillors	N Lusizi - refer to note 24
	NM Mpambani - refer to note 24
	N Ntolosi - refer to note 24
	ME Ntshonga - refer to note 24
	GT Ntshonga - refer to note 24
	Z Sobekwa - refer to note 24
	SL Mafanya - refer to note 24
	N Monakali - refer to note 24
	NN Nqolomlilo - refer to note 24
	Z Siyo - refer to note 24
	AA Krakri - refer to note 24
	LS Sobekwa - refer to note 24
	GN Nombila - refer to note 24
	B Kave - refer to note 24
	ZC Mfazwe - refer to note 24
	TZ Xhongwana - refer to note 24
	N Lusizi - refer to note 24
	T Ntyinkala - refer to note 24
	NG Ndongeni - refer to note 24
	NP Dube - refer to note 24
	C Mtsi - refer to note 24
	NH Kendle - refer to note 24
	KG Magwaca - refer to note 24
	M Mkhilili - refer to note 24
	L Tsipa - refer to note 24
	M Ndungane - refer to note 24
	SN Tshazi - refer to note 24
	WW Mbadlanyana - refer to note 24
	WM Ntongana - refer to note 24
	K Gobeni - refer to note 24
	N Jiya - refer to note 24
	MZ Mnqwazi - refer to note 24
	ZA Mqolo - refer to note 24
	ML Mtalo - refer to note 24
	Z Mnqokoyi - refer to note 24
	NL Zaba - refer to note 24
	NQ Sukwana - refer to note 24

38. Related parties (continued)

	Y Mngonyama - refer to note 24
	NH Skelenge - refer to note 24
	SM Molosi - refer to note 24
	MW Mbeki - refer to note 24
	A Finca - refer to note 24
	L Mbentsula - refer to note 24
	S Lilise - refer to note 24
	AB Madikane - refer to note 24
	V Nkehle - refer to note 24
	T Makeleni - refer to note 24
	P Mbovane - refer to note 24
Traditional leaders to participate in Mnquma Municipal Council	NS Ngxiya - refer to note 24
	VL Mbasa - refer to note 24
	WM Mahlangeni - refer to note 24
	BL Ntleki - refer to note 24
	ZM Dyantyi - refer to note 24
	M Magodla - refer to note 24
	N Nyhila - refer to note 24
	D Mpangele - refer to note 24
	BB Vuso - refer to note 24
	M Nguza - refer to note 24
	NVG Dondashe - refer to note 24
	P Nguza - refer to note 24

Related party transactions

	2021	2020
Purchases from related parties		
N Langa Ward Committee is a business partner in Themba Labafazi Primary Co-Op	-	588 813
N Layiti full-time Mayoral Committee Member is a business partner in Great 7 Trading Property Limited	-	1 700
Z Makaula the debtors clerk - Her brother, B Makaula owns Vebu Holdings	412 692	-
Mxolelanisi Manxiwa is an attorney representing the municipality, his brother Clayton Mkhulisi Manxiwa is a manager in the legal department at Mbashe Municipality	223 424	134 260
Thobela T - is a CIPC member, his wife Sitofile is a director of Siyavuya Construction	-	800 239

39. Risk management

Financial risk management

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 maintenance of cash balances..

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Receivables from non-exchange transactions	39 752 654	-	-	-	39 752 654
Receivables from exchange transactions	1 190 534	-	-	-	1 190 534
VAT receivable	951 657	-	-	-	951 657
Cash and cash equivalents	127 688 779	-	-	-	127 688 779
Payables from exchange transactions	42 604 203	-	-	-	42 604 203
Unspent conditional grants and receipts	14 838 566	-	-	-	14 838 566
	227 026 393	**-**	**-**	**-**	**227 026 393**

As at 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Receivables from non-exchange transactions	15 240 174	-	-	-	15 240 174
Receivables from exchange transactions	1 077 054	-	-	-	1 077 054
VAT receivable	2 577 266	-	-	-	2 577 266
Cash and cash equivalents	50 281 617	-	-	-	50 281 617
Payables from exchange transactions	39 714 303	-	-	-	39 714 303
Unspent conditional grants and receipts	9 859 945	-	-	-	9 859 945
	118 750 359	**-**	**-**	**-**	**118 750 359**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2021	2020
Receivables from non-exchange transactions	39 752 654	15 240 174
Receivables from exchange transactions	1 190 534	1 077 054
Cash and cash equivalents	127 688 779	50 281 617

Figures in Rand	2021	2020

39. Risk management (continued)

Property rates		
Current (0 - 30 days)	18 128 180	1 735 649
31 - 60 days	5 345 456	4 580 943
61 - 90 days	5 087 390	4 581 569
91 - 120 days	5 846 246	4 674 433
121 - 150 days	2 764 509	4 581 298
> 150 days	120 002 571	121 975 242
	157 174 352	**142 129 134**

Traffic fines		
Current (0 - 30 days)	444 300	419 900
31 - 60 days	455 300	361 300
61 - 90 days	647 900	363 900
91 - 120 days	538 100	469 600
> 150 days	13 629 210	9 059 610
	15 714 810	**10 674 310**

Refuse		
Current (0 - 30 days)	703 409	727 789
31 - 60 days	687 543	723 401
61 - 90 days	681 150	742 859
91 - 120 days	676 074	754 633
121 - 150 days	668 716	735 541
> 150 days	37 417 536	31 334 589
	40 834 428	**35 018 812**

Housing rental		
Current (0 - 30 days)	456 881	459 279
31 - 60 days	398 386	439 516
61 - 90 days	396 149	431 052
91 - 120 days	393 191	432 586
121 - 150 days	389 321	427 819
> 150 days	12 962 434	9 700 256
	14 996 362	**11 890 508**

Figures in Rand	2021	2020

40. Prior period errors

Receivables from non-exchange transactions		
As previously stated	-	15 241 200
Decrease in receivables from non-exchange transactions due to R/D Cheques without supporting documentation written-off by Council.	-	(21 021)
Increase in receivables from non-exchange transactions due to understatement of property rates debtors.	-	19 995
	-	**15 240 174**
VAT receivable		
As previously stated	-	6 947 620
Increase in VAT receivable due to retentions incorrectly recorded exclusive of VAT.	-	341 541
Decrease in VAT receivable due to overstatement of VAT on retentions.	-	(61 432)
Increase in VAT receivable due to reversal of duplicated journal on DoT liability.	-	187 966
Decrease in VAT receivable due to understatement of output VAT.	-	(1 984 071)
Decrease in VAT receivable due to overstatement of input VAT.	-	(2 848 077)
Decrease in VAT receivable due to invoice incorrectly recorded.	-	(6 281)
	-	**2 577 266**
Receivables from exchange transactions		
As previously stated	-	986 229
Increase in receivables from exchange transactions due to understatement of refuse debtors.	-	90 825
Increase in receivables from exchange transactions due to misallocation of provision for impairment of housing rental and refuse debtors.	-	1 422 013
Decrease in receivables from exchange transactions due to misallocation of provision for impairment of housing rental and refuse debtors.	-	(1 422 013)
	-	**1 077 054**
Investment property		
As previously stated	-	150 130 261
Increase in investment property due to investment property previously not recognised - cost.	-	96 655
Decrease in investment property due to investment property previously not recognised - accumulated depreciation.	-	(13 733)
Decrease in investment property due to overstatement of investment property - cost.	-	(472 515)
Increase in investment property due to overstatement of investment property - accumulated depreciation.	-	315 904
Increase in investment property overstatement of depreciation.	-	39 235
	-	**150 095 807**
Property, plant and equipment		
As previously stated	-	749 968 157
Increase in property, plant and equipment due to machinery and equipment previously not recognised - cost.	-	26 787
Decrease in property, plant and equipment due to machinery and equipment previously not recognised - accumulated depreciation.	-	(4 837)
Increase in property, plant and equipment due to machinery and equipment misallocated under furniture and office equipment and transport assets - cost.	-	6 230 368
Decrease in property, plant and equipment due to machinery and equipment misallocated under furniture and office equipment and transport assets - accumulated depreciation.	-	(4 027 261)
Decrease in property, plant and equipment due to machinery and equipment misallocated under furniture and office equipment and transport assets - accumulated depreciation.	-	(122 143)
Increase in property, plant and equipment due to furniture and office equipment previously not recognised - cost.	-	168 190

Figures in Rand	2021	2020
40. Prior period errors (continued)		
Decrease in property, plant and equipment due to furniture and office equipment previously not recognised - accumulated depreciation.	-	(30 854)
Increase in property, plant and equipment due to machinery and equipment misallocated under furniture and office equipment - cost.	-	(3 786 626)
Decrease in property, plant and equipment due to machinery and equipment misallocated under furniture and office equipment - accumulated depreciation.	-	3 198 429
Decrease in property, plant and equipment due to computer equipment misallocated under furniture and office equipment - cost.	-	(1 453 759)
Increase in property, plant and equipment due to computer equipment misallocated under furniture and office equipment - accumulated depreciation.	-	107 375
Decrease in property, plant and equipment due to machinery and equipment misallocated under transport assets - cost.	-	(5 913 564)
Increase in property, plant and equipment due to machinery and equipment misallocated under transport assets - accumulated depreciation.	-	3 742 165
Increase in property, plant and equipment due to machinery and equipment misallocated under transport assets - accumulated depreciation.	-	119 795
Increase in property, plant and equipment due to computer equipment previously not recognised - cost.	-	10 383
Decrease in property, plant and equipment due to computer equipment previously not recognised - accumulated depreciation.	-	(2 299)
Increase in property, plant and equipment due to computer equipment misallocated under furniture and office equipment - cost.	-	3 469 823
Decrease in property, plant and equipment due to computer equipment misallocated under furniture and office equipment - accumulated depreciation.	-	(2 913 334)
Increase in property, plant and equipment due to computer equipment misallocated under furniture and office equipment - cost.	-	1 453 759
Decrease in property, plant and equipment due to computer equipment misallocated under furniture and office equipment - accumulated depreciation.	-	(105 027)
Increase in property, plant and equipment due to infrastructure assets previously not recognised - cost.	-	60 853
Decrease in property, plant and equipment due to infrastructure assets previously not recognised - accumulated depreciation.	-	(27 073)
Increase in property, plant and equipment due to infrastructure assets misallocated under community assets - costs.	-	88 396
Increase in property, plant and equipment due to infrastructure assets previously not recognised - cost.	-	34 736 823
Decrease in property, plant and equipment due to infrastructure assets previously not recognised - accumulated depreciation.	-	(3 269 380)
Decrease in property, plant and equipment due to overstatement of infrastructure assets - cost.	-	(9 288 147)
Increase in property, plant and equipment due to overstatement of infrastructure assets - accumulated depreciation.	-	3 471 329
Increase in property, plant and equipment due to overstatement of depreciation on infrastructure assets - accumulated depreciation.	-	424 116
Increase in property, plant and equipment due to overstatement of impairment on infrastructure assets - accumulated impairment.	-	300 145
Increase in property, plant and equipment due to community assets previously not recognised - cost.	-	93 736
Increase in property, plant and equipment due to community assets previously not recognised - accumulated depreciation.	-	(38 613)
Decrease in property, plant and equipment due to infrastructure assets misallocated under community assets - cost.	-	(88 396)
Increase in property, plant and equipment due to community assets previously not recognised - cost.	-	9 219 695
Increase in property, plant and equipment due to community assets previously not recognised - accumulated depreciation.	-	(557 505)
Decrease in property, plant and equipment due to overstatement of community assets - cost.	-	(711 877)
Increase in property, plant and equipment due to overstatement of community assets - accumulated depreciation.	-	581 161

Figures in Rand	2021	2020
40. Prior period errors (continued)		
Increase in property, plant and equipment due to overstatement of depreciation on community assets - accumulated depreciation .	-	22 259
Increase in property, plant and equipment due to overstatement of impairment on community assets - accumulated impairment.	-	3 634
	-	**785 156 683**

Payables from exchange transactions

As previously stated	-	39 777 896
Decrease in payables from exchange transactions due to advance payments written-off by Council.	-	(308 059)
Increase in payables from exchange transactions due to recognition of SARS liablility not raised in 2019.	-	2 124 987
Increase in payables from exchange transactions due to recognition of leave pay liability not raised in 2019.	-	184 412
Increase payables from exchange transactions due to retentions incorrectly recorded exclusive of VAT.	-	341 541
Decrease in payables from exchange transactions due to overstatement of Izixhotyeni retentions in 2019.	-	(77 428)
Decrease in payables from exchange transactions due to overstatement of VAT on retentions.	-	(61 432)
Decrease in payables from exchange transactions due to retentions raised for Electrification Zibhityolo 18/19 incorrectly recorded under trade payables instead of retentions.	-	(470 976)
Increase in payables from exchange transactions due to retentions raised for Electrification Zibhityolo 18/19 incorrectly recorded under trade payables instead of retentions.	-	470 976
Decrease in payables from exchange transactions due to retentions raised for Electrification Vikweni 19/20 incorrectly recorded under trade payables instead of retentions.	-	(451 976)
Increase in payables from exchange transactions due to retentions raised for Electrification Vikweni 19/20 incorrectly recorded under trade payables instead of retentions.	-	451 976
Decrease in payables from exchange transactions due to correction of error	-	(92)
Increase in payables from exchange transactions due to reversal of duplicated journal on DoT liability.	-	1 868 058
Decrease in payables from exchange transactions due to Council write-off misstatement of DoT liability.	-	(12 698 087)
Increase in payables from exchange transactions due to Council write-off misstatement of DoT liability.	-	8 612 970
Decrease in payables from exchange transactions due to invoice incorrectly recorded.	-	(50 463)
	-	**39 714 303**

Accumulated surplus

As previously stated	-	492 772 989
Decrease in accumulated surplus due to R/D Cheques without supporting documentation written-off by Council.	-	(21 021)
Increase in accumulated surplus due to understatement of property rates debtors.	-	19 995
Increase in accumulated surplus due to understatement of refuse debtors.	-	90 825
Increase in accumulated surplus due to advance payments written-off by Council.	-	308 059
Decrease in accumulated surplus due to recognition of SARS liablility not raised in 2019.	-	(2 124 987)
Decrease in accumulated surplus due to recognition of leave pay liability not raised in 2019.	-	(184 412)
Increase in accumulated surplus due to infrastructure and community assets previously not recognised.	-	68 580
Increase in accumulated surplus due to investment property previously not recognised.	-	96 655

Figures in Rand	2021	2020

40. Prior period errors (continued)

Decrease in accumulated surplus due to overstatement of infrastructure, community assets and investment property.	-	(3 062 768)
Increase in accumulated surplus due to movable assets previously not recognised.	-	205 360
Increase in accumulated surplus due to overstatement of Izixhotyeni retentions.	-	77 428
Increase in accumulated surplus due to correction of error.	-	92
Increase in accumulated surplus due to Council write-off misstatement of DoT liability.	-	12 698 087
Decrease in accumulated surplus due to Council write-off misstatement of DoT liability.	-	(8 612 970)
Decrease in accumulated surplus due to understatement of output VAT.	-	(1 984 071)
Decrease in accumulated surplus due to overstatement of input VAT.	-	(2 848 077)
Increase in accumulated surplus due to correction of error.	-	500
Increase in accumulated surplus due to overstatement of depreciation on community assets.	-	22 259
Increase in accumulated surplus due to overstatement of depreciation on infrastructure assets.	-	424 116
Increase in accumulated surplus due to due to overstatement of depreciation on investment property.	-	39 233
Decrease in accumulated surplus due to machinery and equipment previously not recognised.	-	(30 854)
Decrease in accumulated surplus due to furniture and office equipment previously not recognised.	-	(4 837)
Decrease in accumulated surplus due to due to computer equipment previously not recognised.	-	(2 299)
Increase in accumulated surplus due to overstatement of impairment on community assets.	-	3 634
Increase in accumulated surplus due to overstatement of impairment on infrastructure assets.	-	300 145
Increase in accumulated surplus due to invoice incorrectly recorded.	-	28
Decrease in accumulated surplus due to reversal of duplicated journal on DoT liability.	-	(1 680 092)
Increase in accumulated surplus due to invoice incorrectly recorded.	-	43 654
Decrease in accumulated surplus due to depreciation on assets previously not recognised.	-	(3 840 618)
Decrease in accumulated surplus due too transfer of revaluation reserve to accumulated surplus for depreciation on assets previously not recognised.	-	3 826 885
	-	-
	-	**486 601 519**

Other income

As previously stated	-	1 378 062
Increase in other income due to correction of error.	-	500
	-	**1 378 562**

Revaluation reserve

As previously stated	-	424 344 394
Increase in revaluation reserves due to infrastructure and community assets previously not recognised.	-	20 322
Increase in revaluation reserves due to infrastructure and community assets previously not recognised.	-	43 956 519
Decrease in revaluation reserves due to overstatement of infrastructure and community assets.	-	(3 041 376)
Decrease in revaluation reserves due to transfer of revaluation reserve to accumulated surplus for depreciation on assets previously not recognised.	-	(3 826 885)
	-	**461 452 974**

Depreciation and amortisation

Figures in Rand	2021	2020

40. Prior period errors (continued)

As previously stated	-	110 025 693
Decrease in depreciation and amortisation due to overstatement of depreciation on community assets.	-	(22 259)
Decrease in depreciation and amortisation due to overstatement of depreciation on infrastructure assets.	-	(424 116)
Decrease in depreciation and amortisation due to overstatement of depreciation on investment property.	-	(39 233)
Increase in depreciation and amortisation due to machinery and equipment previously not recognised.	-	30 854
Increase in depreciation and amortisation due to furniture and office equipment previously not recognised.	-	4 837
Increase in depreciation and amortisation due to computer equipment previously not recognised.	-	2 299
Increase in depreciation and amortisation due to depreciation community assets, infrastructure assets and investment property previously not recognised.	-	3 840 618
	-	**113 418 693**

Impairment loss/ Reversal of impairments

As previously stated	-	7 483 887
Decrease in impairment loss/ reversal of impairments due to overstatement of impairment on community assets.	-	(3 634)
Decrease in impairment loss/ reversal of impairments due to overstatement of impairment on infrastructure assets.	-	(300 145)
	-	**7 180 108**

Finance costs

As previously stated	-	1 360 561
Decrease in finance costs due to invoice incorrectly recorded.	-	(27)
	-	**1 360 534**

General expenses

As previously stated	-	52 802 273
Increase in general expenses due to reversal of duplicated journal on DoT liability.	-	1 680 092
Decrease in general expenses due to invoice incorrectly recorded.	-	(43 654)
	-	**54 438 711**

41. Unauthorised expenditure

Opening balance	-	415 282 017
Add: Unauthorised expenditure - current year	-	-
Less: Written-off by Council	-	(415 282 017)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand

42. Fruitless and wasteful expenditure

Opening balance	-	1 547 984
Add: Fruitless and wasteful expenditure - current year	3 452	104 561
Less: Written-off by Council	-	(1 652 545)
Less: Amounts recovered	(3 452)	-
	-	-

43. Irregular expenditure

Opening balance	-	44 736 440
Add: Irregular expenditure - current year	1 450 978	14 604 108
Less: Amounts written-off	(1 450 978)	(59 340 548)
	-	-

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non-compliance with Preferential Procurement Regulation 4(3)		421 200
Non-compliance with Regulation 12(1)(c), 17(a) - 17(c) & 36(2) of the Municipal SCM Regulations		1 029 778
		1 450 978

Details of irregular expenditure - 2020

	Disciplinary steps taken/criminal proceedings	
Non-compliance with Preferential Procurement Regulation 4(3)		3 283 682
Non-compliance with Regulation 12(1)(c), 17(a) - 17(c) & 36(2) of the Municipal SCM Regulations		11 320 426
		14 604 108

44. Deviation from supply chain management regulations

Incurred during the year	3 474 673	5 209 132

45. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	(1 294 320)
Current year subscription / fee	3 900 193	4 266 290
Amount paid - current year	(3 900 193)	(2 971 970)
	-	-

PAYE, SDL and UIF

Opening balance	-	2 126 253
Current year subscription / fee	33 546 466	32 195 778
Amount paid - current year	(33 546 466)	(34 322 031)
	-	-

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

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	52 277 881	50 894 982
Amount paid - current year	(52 277 881)	(50 894 982)
	-	-

VAT

VAT receivable	951 657	2 577 266

VAT output payables and VAT input receivables are shown in note 4.

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

SALGA Levy

Opening balance	-	-
Current year subscription/ fee	102 703	101 642
Amount paid - current year	(102 703)	(101 642)
	-	-

46. Contingencies

As at 30 June 2021, the Municipality had the following contingent assets and contingent liabilities.

Cases against the Municipality		
Case no144/19 Barricade Protection Services vs Mnquma Local Municipality	1 350 484	1 350 484
VJ Transport vs Mnquma Local Municipality	195 062	195 062
Case No. 297/19 Lungi Dyantyi vs Mnquma Local Municipality	97 062	97 062
Case No. 411/2020 Thembelani Tshaka and Others vs Mnquma Local Municipality	1 500 000	1 500 000
Case No. 73/2020 Bheki Sifile vs Mnquma Local Municipality	25 000	25 000
Case No. 490/19 Z. Plata vs Mnquma Local Municipality	-	245 940
Lesley Ronald Martin and Others vs Mnquma Local Municipality and Lukhanyo Tukani	27 560 000	27 560 000
Case No. 237/19 Nontando Mvume vs Mnquma Local Municipality	33 556	33 556
Imbawula Civil Projects (Pty) Ltd t/a Imbawula Engineering Academy vs Mnquma Local Municipality	824 993	824 993
Case No. 276/17 Wezile Mgidlana vs Mnquma Local Municipality	350 000	350 000
Musa Nho & Others vs Mnquma Local Municipality	2 071 856	2 071 856
Case No. 3461/15 Zolile Mshumpela vs Mnquma Local Municipality	1 008 000	1 008 000
Case No. 89/18 Vuyani Excellent Dyalo vs Mnquma Local Municipality and MM	150 000	150 000
Case No. 5719/18 Nangamso Mbangwana vs Mnquma Local Municipality	400 000	400 000
Case No. 3602/17 Soyama Construction CC vs Mnquma Local Municipality	2 588 888	2 588 888
Case No. 646/2017 Sam Toyo vs Mnquma Local Municipality	65 000	65 000
Case No. 4806/2017 Masixole Innocent Magwashu vs Mnquma Local Municipality	300 000	300 000
Case No.1069/2014 Siva Pillay Construction vs Mnquma Local Municipality	13 377 329	13 377 329
Case No. 2390/2017 A One Electric vs Mnquma Local Municipality	1 153 297	1 153 297
Case No. 463/2017 C.W.Z. Matota and another vs Mnquma Local Municipality	164 477	164 477
Case No. 250/19 Mpinda Hlaba vs Mnquma Local Municipality	150 000	150 000
Case No. 2210/17 Thulani S. Silimela vs Mnquma Municipality and Police	600 000	600 000
Case No. P220/19 Nangamso Mbongwana vs Mnquma Local Municipality	-	300 000
Case No. 1779/2017 - Jerry Mashamba Capital (PTY) LTD. 1st Respondent Civiflo (PTY) LTD 2nd Respondent vs MLM	-	-
Case No. 1185/17 & 2685/17 - Nokwanda Koleka Nkawana vs MLM	-	-
Case No. 411/2020 - Thembelani Tshaka & 2 Others vs MLM	1 500 000	-
Case No. 124/2020 - Thabo Adam vs MLM	2 450	-
Case No.313/2020 - Hampton Sipho Lionel Rani & 2 Others vs MLM	-	-
Case No.313/2020 - M. Tutu vs MLM	12 000	-
Case No. 114/2021 - Thandinkosi Magani vs MLM	200 000	-
	55 679 454	**54 510 944**

Barricade Protection Services Case No. 144/19 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for services rendered - Provision of security (Community services). Notice in terms of Rule 35 was filed for the other party to discover SLA as alleged. The case is still pending.

VJ Transport vs Mnquma Local Municipality
The Plaintiff is suing the Municipality on the damage arising on the unidentified collapsed bridge. The case is still pending.

Lungi Dyantyi Case No. 297/19 vs Mnquma Local Municipality
The Municipality is being sued for wrongfully impounding of a motor vehicle by traffic officers. The case is still awaiting trial.

Thembelani Tshaka and Others Case No. 411/2020 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for defamation of character and withdrawn allowances. The case is still pending.

Bheki Sifile Case No. 73/2020 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for unlawful seizure of motor vehicle and damage on the vehicle. The case is still pending.

Nangamso Mbongwana Case No. 5719/18 **vs Mnquma Local Municipality**
Applicant suing the Municipality for car allowance benefit taken away by employer and unlawful deductions/transfer & salary adjustment. The case is at appeal stage

Lesley Ronald Martin and Others vs Mnquma Local Municipality and Lukhanyo Tukani
The Plaintiff is suing the Municipality for reckless use of firearm. The case is still pending.

46. Contingencies (continued)

Nontando Mvume Case No. 237/19 vs Mnquma Local Municipality
The Municipality is being sued for not maintaining streets near Msobomvu Township. The matter is at discovery stage

Imbawula Civil Projects (Pty) Ltd t/a Imbawula Engineering Academy vs Mnquma Local Municipality
The Municipality is being sued for non payment of services rendered. The case is still pending.

Wezile Mgidlana Case No. 276/17 vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for wrongful by traffic officials. The case is at pre-trial stage.

Musa Nho and Others vs Mnquma Local Municipality
The Plaintiff is suing the Municipality for traffic officials who acted wrongfully on arresting the Plaintiffs. The case is waiting for trial date at Mthatha High Court.

Zolile Mshumpela Case No.3461/15 vs Mnquma Local Municipality
The plaintiff issued combined summons claiming for alleged unlawful arrest and detention. The case is still at pre-trial stage.

Vuyani Excellent Dyalo Case No.89/18 vs Mnquma Local Municipality and Municipal Manager
The Plaintiff is suing the municipality for damages after his car was impounded by traffic officer. The case is still on pleading stage.

Nangamso Mbongwana Case No. P220/19 vs Mnquma Local Municipality
The Plaintiff is suing the municipality and opposition of application have been filed. The Municipality has applied for the date of the hearing of the case.

Soyama Construction CC Case No. 3602/17 vs Mnquma Local Municipality
The Plaintiff suing the Municipality for services rendered and not paid. The case is still pending.

Sam Toyo Case No. 646/2017 vs Mnquma Local Municipality
The Plaintiff is suing the Defendant for damages suffered in a motor collision. The case is still pending.

Masixole Innocent Magwashu Case No. 4806/2017 vs Mnquma Local Municipality
The Plaintiff suing the defendant for arrest without a warrant by Traffic official by the name of Mr Phelelani known as Raule. The case is at discovery stage.

Siva Pillay Construction Case No.1069/2014 vs Mnquma Local Municipality
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for township roads construction. The case is still pending.

A One Electric Case No. 2390/2017 vs Mnquma Local Municipality
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for Rural electrification. The case is still on pleading stage.

C.W.Z. Matota and another Case No. 463/2017 vs Mnquma Local Municipality
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for consulting work. The case is at discovery stage.

Thulani. S. Simela Case No. 2210/17 vs Mnquma Local Municipality and the Police
Suing the Municipality for unlawful and wrongful arrest by traffic officer and police official. The case is still pending.

46. Contingencies (continued)

Mpinda Hlaba Case No. 250/19 vs Mnquma Local Municipality
The Municipality is sued for unlawful and wrongful arrest by Traffic officer Sojini. The case is still on pleading stage.

Case No. 1779/2017 - Jerry Mashamba Capital (PTY) LTD. 1st Respondent Civiflo (PTY) LTD 2nd Respondent vs MLM
Plaintiff seek an order compelling the Municipality to assess and/or approve/rejects the requests, applications & plans that were submitted by the plaintiff with respect to the development of Erf 448.

Case No. 1185/17 & 2685/17 - Nokwanda Koleka Nkawana vs MLM
Plaintiff suing the Municipality for illegally encroachment of her property, namely, Erf 1352 Centane.

Case No. 411/2020 - Thembelani Tshaka & 2 Others vs MLM
Plaintiff suing for defamation of character & withdrawn allowances.

Case No. 124/2020 - Thabo Adam vs MLM
Plaintinff suing Municipality for damage resulting from a pothole.

Case No.313/2020 - Hampton Sipho Lionel Rani & 2 Others vs MLM
Applicants seek an order compelling the Municipality to implement Council Resolution no. OCM1/16/007.1.4.5

Case No.313/2020 - M. Tutu vs MLM
Plaintiff suing the Municipality for damages suffered as a result of negligent driver of TLB – Infrastrustructure employee.

Case No. 114/2021 - Thandinkosi Magani vs MLM
Plaintiff suing the Municipality for impounded damaged VW Golf.

Contingent assets

Case No. 1638/19 Mnquma Local Municipality vs Rene Godsson Cumming Case	300 000	300 000
Case No. PR125/2019 Mnquma Local Municipality vs Rene Godsson Cumming	400 000	400 000
	700 000	**700 000**

Mnquma Local Municipality vs Rene Godsson Cumming Case No. 1638/19
The Municipality is suing the Respondent for unlawful & irregular contract of employment. The matter was heard by the opposed motion court on Thursday, 25 June 2020, and the judgment has been reserved. The case is still pending.

Mnquma Local Municipality vs Rene Godsson Cumming Case No. PR125/2019
Municipality is suing the Respondent for unlawful & irregular contract of employment. All parties have filed papers and an application for the date of the hearing has been forwarded. The case is still pending.

47. Employee benefit obligations

Employee benefit obligation consists of the following:

Long service awards	13 899 000	12 901 000

The Municipality has a defined benefit obligation in terms of the Long Service Awards. The defined benefit obligation is valued every year by independent qualified actuaries. The most recent valuations have been carried out by ZAQ Consultants and Actuaries:

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five-year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

Movement in the employee benefit obligation disclosed in the statement of financial position

Carrying value		
Opening balance	12 901 000	12 588 000
Current service costs - Employee related costs	1 434 000	1 575 000
Actuarial interest - Finance costs	1 081 000	1 256 000
Benefit paid	(793 285)	(733 479)
Actuarial (Gains) Losses	(723 715)	(1 784 521)
	13 899 000	**12 901 000**

Non-current liabilities	(12 548 000)	(10 966 000)
Current liabilities	(1 351 000)	(1 935 000)
	(13 899 000)	**(12 901 000)**

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

Opening balance	12 901 000	12 588 000
Benefits paid	(793 285)	(733 479)
Net expense recognised in the statement of financial performance	1 791 285	1 046 479
	13 899 000	**12 901 000**

The amount recognised in the statement of financial performance

Current service costs	1 434 000	1 575 000
Interest cost	1 081 000	1 256 000
Actuarial (gains) losses	(723 715)	(1 784 521)
	1 791 285	**1 046 479**

47. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,78 %	8,45 %
Expected increase in salaries	6,25 %	6,25 %

The normal retirement age is 65 years and the SA85-90 mortality table was used.

Other assumptions

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

The discount rate has been determined by using the Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked Bond Rate for each relevant time period.

Withdrawal rates **Age band**	**Withdrawal rates males**	**Withdrawal rates females**
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
34 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	**Valuation assumption**	**+20% Withdrawal rate**
Total accrued liability	14 733 000	13 899 000	13 146 000
Current service costs	1 520 000	1 420 000	1 330 000
Interest costs	1 555 000	1 460 000	1 375 000

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

Normal salary inflation	**-1% Normal salary inflation**	**Valuation Assumption**	**+1% Normal salary inflation**
Total accrued liability	13 063 000	13 899 000	14 819 000
Current service costs	1 329 000	1 420 000	1 520 000
Interest costs	1 366 000	1 460 000	1 564 000
	15 758 000	**16 779 000**	**17 903 000**