Enoch Mgijima Local Municipality
(Registration number EC139)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998)
Nature of business and principal activities	Enoch Mgijima Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Mayoral committee	
Executive Mayor	Mayor Luleka Elizabeth Gubula-Mqingwana
Executive Committee	Cllr Bongiwe Van Heerden (Speaker)
	Cllr Nombuyiselo Selka Ndlebe (Chief Whip)
	Cllr Adele Natacia Hendricks (Public Safety Portfolio Head)
	Cllr Khangelwe Manzana Sovendle (Human Settlement and Land Portfolio Head)
	Cllr Funeka Sybil Sopapaza-Lungisa (SPU Portfolio Head)
	Cllr Thembeka Bunu (Corporate Services Portfolio Head)
	Cllr Sibusiso Eric Mvana (IPED Portfolio Head)
	Cllr Mzoxolo Peter (Finance Portfolio Head)
	Cllr Zukiswa Nosisana Eunice Ralane (Community Services Portfolio Head)
	Cllr N Nqabisa (Technical Services Portfolio Head)
	Cllr Marina Bennet
	Cllr L N Haggard
	Cllr L Amos
	Cllr T P Blekiwe
	Cllr A V Bokuva
	Cllr D M Kabanie
	Cllr M G Madikane
	Cllr M Xipu Mgedezi
	Cllr E N Tsotetsi
	Cllr P Madubedube
	Cllr L A Kepeyi
	Cllr P P Z Mandile
	Cllr T M Baleng
	Cllr M Mangcotywa
	Cllr B G Rani
	Cllr B Ngesi
	Cllr S C Gwampi
	Cllr L L Ngculu
	Cllr L M Koltana
	Cllr U C Mlindazwe
	Cllr N C Twalo
	Cllr A Seyisi
	Cllr Z S Tutwana
	Cllr L C Rasimosi
	Cllr O Adonisi
	Cllr N J Qomoyi
	Cllr X G Mkhubukeli Lufele
	Cllr T G Yekani
	Cllr A Tiwana
	Cllr G Kibi

General Information

	Cllr T V Mpolo Cllr M M Mbengo Cllr M Ngesi Cllr N Ngcefe Cllr L Nondyola Cllr M V Velaphi Cllr A Batyi Cllr Z S Ngondo Cllr B M Mgoqi Cllr D D Njozela Cllr N C Matswele Cllr S Mkhunqe Cllr M S Hokolo Cllr A Mhlontlo Cllr A Ngonyama Cllr C M Boast Cllr M J Thole Cllr N A Kopolo Cllr B Mtini Cllr Z N Njoli Cllr L C S Tokwe Cllr B C Simina Cllr H A Deysel Cllr S Miza Cllr B Quqa Cllr M Bango Cllr A A Ganca Cllr M Bula
Jurisdiction	Molteno, Hofmeyer, Sterkstroom, Tarkastad, Whittlesea, Komani
Accounting Officer	N C Zondani
Administrator	M Somana
Registered office	70 Cathcart Road Komani 5320
Postal address	Private Bag X7111 Komani 5320
Bankers	First National Bank
Auditors	Auditor-General of South Africa (AGSA)
Attorneys	Bashe, Mhlontlo & Company Incorporated Bowes McDougall Incorporated Wesley Pretorius & Associates Incorporated Peyper Attorneys Mbabane Maswazi Incorporated

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

EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INEG	Integrated National Electrification Grant
IPSAS	International Public Sector Accounting Standards
ISDG	Integrated Skills Development Grant
MDTG	Municipal Demarcation Transition Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant

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 were given unrestricted access to all financial records and related data.

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

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

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

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

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

The annual financial statements set out on pages 5 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed by her:

N C Zondani
Municipal Manager

Statement of Financial Position as at 30 June 2021

	Notes	2021	2020 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	77 542 898	92 820 002
Receivables from non-exchange transactions	4	28 493 736	47 008 795
Cash and cash equivalents	5	37 461 226	58 280 207
		143 497 860	**198 109 004**
Non-Current Assets			
Biological assets	6	5 527 600	5 216 500
Investment property	7	326 352 511	326 352 511
Property, plant and equipment	8	1 173 550 449	1 099 777 589
Heritage assets	9	2 539 920	2 539 920
Other financial assets	10	137 162	403 838
		1 508 107 642	**1 434 290 358**
Total Assets		**1 651 605 502**	**1 632 399 362**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	637 605 797	486 575 624
VAT payable	12	2 923 702	11 349 349
Consumer deposits	13	10 474 452	10 239 855
Employee benefit obligation	14	54 435 346	48 944 467
Unspent conditional grants and receipts	15	7 714 072	44 875 250
Bank overdraft	5	-	13 638 326
		713 153 369	**615 622 871**
Non-Current Liabilities			
Employee benefit obligation	14	43 881 000	40 230 000
Provisions	16	29 564 870	28 275 007
		73 445 870	**68 505 007**
Total Liabilities		**786 599 239**	**684 127 878**
Net Assets		**865 006 263**	**948 271 484**
Accumulated surplus		865 006 263	948 271 484
Total Net Assets		**865 006 263**	**948 271 484**

* See Note 43

Statement of Financial Performance

	Notes	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	270 558 066	306 185 535
Rental of facilities and equipment	18	3 579 827	3 335 486
Interest earned on debtors		45 122 697	53 897 463
Income from agency services	19	5 102 777	3 765 287
Licences and permits	20	2 954 681	2 931 090
Other income	21	4 319 234	5 077 419
Interest received on investments	22	2 842 071	1 693 631
Total revenue from exchange transactions		**334 479 353**	**376 885 911**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	125 258 499	115 216 787
Transfer revenue			
Government grants and subsidies	24	320 038 752	238 576 672
Public contributions and donations	25	51 717 565	-
Fines	26	1 703 377	3 357 177
Total revenue from non-exchange transactions		**498 718 193**	**357 150 636**
Total revenue		**833 197 546**	**734 036 547**
Expenditure			
Employee related costs	27	(330 663 314)	(318 847 821)
Remuneration of councillors	28	(25 467 864)	(26 140 514)
Depreciation and amortisation	29	(54 051 171)	(56 422 815)
Finance costs	30	(26 934 592)	(25 761 456)
Debt Impairment	31	(130 704 123)	(145 110 378)
Repairs and maintenance	32	(4 723 449)	(3 216 790)
Bulk purchases	33	(277 911 740)	(247 520 602)
Contracted services	34	(21 129 505)	(27 560 297)
Transfers and Subsidies	35	(1 012 835)	(4 614 604)
Impairment on Property, plant and equipment		-	(303 922 808)
General Expenses	36	(44 585 269)	(54 574 094)
Total expenditure		**(917 183 862)**	**(1 213 692 179)**
Operating deficit		**(83 986 316)**	**(479 655 632)**
Actuarial gains/losses	14	410 000	4 931 821
Fair value adjustment on biological assets		311 100	397 200
		721 100	**5 329 021**
Deficit for the year		**(83 265 216)**	**(474 326 611)**

* See Note 43

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2019	**1 422 598 095**	**1 422 598 095**
Changes in net assets		
Deficit for the year	(474 326 611)	(474 326 611)
Total changes	(474 326 611)	(474 326 611)
Restated* Balance at 01 July 2020	**948 271 479**	**948 271 479**
Changes in net assets		
Deficit for the year	(83 265 216)	(83 265 216)
Total changes	(83 265 216)	(83 265 216)
Balance at 30 June 2021	**865 006 263**	**865 006 263**
Note	43	

* See Note 43

Cash Flow Statement

	Notes	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		306 435 477	266 171 869
Government grants and subsidies		282 877 574	275 180 621
Interest income		47 964 768	55 591 094
Other receipts		1 703 377	3 357 177
		638 981 196	600 300 761
Payments			
Employee costs		(356 131 178)	(344 988 335)
Suppliers		(187 256 286)	(151 413 118)
Finance costs		(26 934 592)	(25 761 456)
		(570 322 056)	(522 162 909)
Net cash flows from operating activities	38	**68 659 140**	**78 137 852**
Cash flows from investing activities			
Purchase of movable and immovable assets	8	(76 106 471)	(44 772 809)
Increase in investment in fixed deposits		266 676	(27 936)
Net cash flows from investing activities		**(75 839 795)**	**(44 800 745)**
Net increase/(decrease) in cash and cash equivalents		**(7 180 655)**	**33 337 107**
Cash and cash equivalents at the beginning of the year		44 641 881	11 304 774
Cash and cash equivalents at the end of the year	5	**37 461 226**	**44 641 881**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	335 467 181	2 879 721	**338 346 902**	270 558 066	**(67 788 836)**	53.1
Rental of facilities and equipment	4 666 649	(948 467)	**3 718 182**	3 579 827	**(138 355)**	
Interest received on debtors	59 744 337	(9 687 199)	**50 057 138**	45 122 697	**(4 934 441)**	
Income from agency services	5 130 024	(893 884)	**4 236 140**	5 102 777	**866 637**	53.2
Licences and permits	4 945 323	(852 137)	**4 093 186**	2 954 681	**(1 138 505)**	53.3
Other income	8 752 000	(4 078 174)	**4 673 826**	4 319 234	**(354 592)**	
Interest received on investments	1 457 692	942 630	**2 400 322**	2 842 071	**441 749**	53.4
Total revenue from exchange transactions	**420 163 206**	**(12 637 510)**	**407 525 696**	**334 479 353**	**(73 046 343)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	121 138 378	-	**121 138 378**	125 258 499	**4 120 121**	
Transfer revenue						
Government grants & subsidies	206 256 898	36 923 557	**243 180 455**	241 434 419	**(1 746 036)**	
Public contributions and donations	-	-	**-**	51 717 565	**51 717 565**	53.5
Fines, Penalties and Forfeits	3 145 367	(1 300 000)	**1 845 367**	1 703 377	**(141 990)**	
Total revenue from non-exchange transactions	**330 540 643**	**35 623 557**	**366 164 200**	**420 113 860**	**53 949 660**	
Total revenue	**750 703 849**	**22 986 047**	**773 689 896**	**754 593 213**	**(19 096 683)**	
Expenditure						
Employee related costs	(319 188 626)	380 373	**(318 808 253)**	(330 663 314)	**(11 855 061)**	
Remuneration of councillors	(25 491 086)	(1 019 642)	**(26 510 728)**	(25 467 864)	**1 042 864**	
Depreciation and amortisation	(56 619 540)	-	**(56 619 540)**	(54 051 171)	**2 568 369**	
Finance costs	(3 800 000)	-	**(3 800 000)**	(26 934 592)	**(23 134 592)**	53.6
Debt Impairment	(76 299 600)	-	**(76 299 600)**	(130 704 123)	**(54 404 523)**	53.7
Other materials / Repairs and maintenance	(2 762 090)	(2 016 000)	**(4 778 090)**	(4 723 449)	**54 641**	
Bulk purchases	(246 017 000)	2 000 000	**(244 017 000)**	(277 911 740)	**(33 894 740)**	
Contracted Services	(12 757 000)	(7 551 357)	**(20 308 357)**	(21 129 505)	**(821 148)**	53.8
Transfers and Subsidies	(5 155 550)	-	**(5 155 550)**	(1 012 835)	**4 142 715**	53.9
General Expenses	(26 323 529)	(3 666 800)	**(29 990 329)**	(44 585 269)	**(14 594 940)**	53.10
Total expenditure	**(774 414 021)**	**(11 873 426)**	**(786 287 447)**	**(917 183 862)**	**(130 896 415)**	
Operating deficit	**(23 710 172)**	**11 112 621**	**(12 597 551)**	**(162 590 649)**	**(149 993 098)**	
Gain on disposal of assets and liabilities	25 000 000	-	**25 000 000**	-	**(25 000 000)**	53.11
Actuarial gains/losses	-	-	**-**	410 000	**410 000**	53.12
Gain on biological assets and agricultural produce	-	-	**-**	311 100	**311 100**	53.13

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	25 000 000	**-**	**25 000 000**	**721 100**	**(24 278 900)**	
Surplus	**1 289 828**	**11 112 621**	**12 402 449**	**(161 869 549)**	**(174 271 998)**	
Surplus / (deficit) for the year from continuing operations	**1 289 828**	**11 112 621**	**12 402 449**	**(161 869 549)**	**(174 271 998)**	
Tranfers recognised - capital	76 570 102	(4 962 541)	**71 607 561**	80 988 976	**9 381 415**	53.14
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**77 859 930**	**6 150 080**	**84 010 010**	**(80 880 573)**	**(164 890 583)**	

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 year.

1.1 Going concern assumption

These annual financial statements have been prepared on a going concern basis as it is expected that the Municipality will continue to operate for at least the next 12 months.

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

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 and other 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 judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on an individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on 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 an assumption used may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic 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 16 - Provisions.

Employee benefit obligation

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 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 14.

Effective interest rate

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

Useful lives of Property, plant and equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

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

1.4 Biological assets

A biological asset is a living animal or plant.

The entity recognises biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

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

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

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

Biological assets are derecognised when disposed off. The gains or losses are then recognised through the Statement of Financial Performance.

1.5 Investment property

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

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

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

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

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

The cost of self-constructed investment property is the cost at the date of completion.

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 instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years
Air-conditioners	3-7 years

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Investment property (continued)

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

The following criteria have been applied to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations:
- All properties held to earn market-related rentals or for capital appreciation, or for both, are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment property;
- Land held for currently undetermined future use. If the municipality has not determined that it will use the land as owner-occupied property, or for a short-term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;
- A building owned by the municipality (or held by the municipality under finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held on to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, plant and equipment or Non-current assets held for sale (where appropriate):
- Property held for sale in the ordinary course of operations;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as investment property;
- Property that is being leased out under finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and service delivery.

Property interest held under operating leases are classified and accounted for as investment property, if the property interest that is held by the lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied property held for sale is established by using criteria that it can utilise to exercise judgement consistently in accordance with the definition of investment property and with the related guidance.

Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the investment property.

Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Impairment

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.
An impairment is reversed only to the extent that the asset's carrying amount does not excceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.6 Property, plant and equipment

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

1.6 Property, plant and equipment (continued)

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 at acquisition date, or in the case of assets acquired by grant or donation, deemed cost being the fair value of the asset on initial recognition.

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives
of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset or that have different useful lives, are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or
service potential associated with the expenditure will flow to the municipality and the cost can be measured reliably. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity of future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset that is being replaced and capitalises the new component.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the surplus or deficit when the compensation becomes receivable.

The Economic Useful Life ("EUL") of an asset has been determined with reference to the Local Government Capital Asset Management Guidelines and the Guidelines for Infrastructure Asset Management in Local Government and tailored to the Municipalities specific requirements where applicable.

Impairment

Where the carrying amount of Property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. An impairment is reversed only to the extent that the asset's carrying amount does not excceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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

Item	Depreciation method	Average useful life
Land		Indefinite years
Infrastructure		
• Roads	Straight line	30 - 80 years
• Buildings	Straight line	30 - 50 years
• Electricity	Straight line	15 - 40 years
• Landfill sites	Straight line	20 - 50 years
Other property, plant and equipment		
• Motor vehicles	Straight line	5 - 15 years
• Furniture and fittings	Straight line	5 - 10 years
• Machinery and equipment	Straight line	3 - 7 years
• Computer equipment	Straight line	5 - 10 years
Community	Straight line	30 - 50 years

The residual value, the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Incomplete construction work
Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases
Assets capitalised under finance leases are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where shorter the term of the relevant lease if there is no reasonable surety terms of the assets management policy.

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

Derecognition of property, plant and equipment assets
Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset
.
The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Heritage assets

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Accounting Policies

1.7 Heritage assets (continued)

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised. The gain or loss is the difference between the proceeds and the carrying amount of the intangible asset.

1.8 Financial instruments

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

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

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

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.

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.

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

1.8 Financial instruments (continued)

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

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.

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

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 municipality 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 municipality 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;
- 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:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	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:

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the 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.

1.9 Statutory receivables

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

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Accounting Policies

1.9 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

1.9 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognises the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Leases

The Municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

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

The Municipality as a lessor

Operating lease rental income is recognised on a straight line over the term of the relevant lease.

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.11 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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

Identification of a potential impairment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. 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. 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 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.

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 surplus or deficit.

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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (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.

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.

Reversal of impairment loss

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

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

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

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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

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 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification of a potential impairment

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement of non-cash generating units

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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.

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

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.

1.13 Employee benefits

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

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

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 cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises 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 entity 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.

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the 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.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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 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;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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.

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing
subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits 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.

The municipality shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

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

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

1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in
measuring a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

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

1.15 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in
the outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed on the commitment note to the financial statements.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

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 services performed to date as a percentage of total services to be performed.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest

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

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

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

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

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each
property that has improvements. The tariffs are determined per category if property usage and levied monthly based on the number of refuse containers on each property, regardless of whether or not the containers are emptied during the month.

Finance Income

Interest earned on investment is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant
authorisation tariff. This includes the issue of licenses and permits.

Income from Agency Services

Income from agency services is recognised on a monthly basis once the income collected on behalf of the agents has been quantified. The income is recognised in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used.

1.17 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.

1.17 Revenue from non-exchange transactions (continued)

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

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

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.

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.

Accounting Policies

1.17 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 degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

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

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

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

Fines

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

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

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

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts or where the donation is in the form of; property, plant and equipment, when such items are available for use.

Public contributions

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

Where contributions have been received, but the conditions have not been met, a liability is recognised.

Government Grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investment is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

The municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not:
- receive goods and services in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; and
- expect a financial return as would be expected from investment.

These transfers are recognised in the statement of financial performance in the period that the events giving rise to the transfer occurred.

1.18 Interest income

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

1.19 Borrowing costs

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

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

1.20 Accounting by principals and agents

Identification

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

1.20 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

1.22 Unauthorised expenditure (continued)

- 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.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.23 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.

If the expenditure is not subsequently certified as irrecoverable by the council it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 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 entity’s supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

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

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

1.25 Revenue from recovery of unauthorised, Irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery from the responsible councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is required or permitted by a standard of GRAP.

1.27 Segment information

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

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

Measurement

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

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

1.28 Budget information

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

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

The 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.

1.29 Related parties

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

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

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

Accounting Policies

1.29 Related parties (continued)

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.

1.30 Events after reporting date

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

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

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

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

1.31 Change in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, changes in accounting estimate and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction if errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the note to the financial statements where applicable.

1.32 Value Added Tax (VAT)

Output VAT is levied on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the municipality would recognise a payable for VAT.

The municipality accounts for VAT on a payment basis.

2021 2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (amended): Employee benefit obligations	No effective date	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	No effective date	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	No effective date	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	No effective date	Unlikely there will be a material impact
• IGRAP 7: Limit on a Defined Benefit Asset Min Fund Requirement and Interact (amended)	01 April 2021	Unlikely there will be a material impact
• IGRAP 21: The Effect of Past Decisions on Materiality	01 April 2021	Unlikely there will be a material impact

2.2 Standards and interpretations issued and effective

The municipality has applied the following standards and interpretations, which have been published and are mandatory:

Standard/ Interpretation:
- GRAP 1 (amended): Presentation of Financial Statements
- GRAP 2: Cash flow statements
- GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 9: Revenue from Exchange Transactions
- GRAP 13 : Leases
- GRAP 14: Events After the Reporting Date
- GRAP 19 : Provisions, Contingent Liabilities and Contingent Assets
- GRAP 20: Related Party Disclosures
- GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24: Presentation of Budget Information in Financial Statements
- GRAP 25: Employee Benefits
- GRAP 27: Agriculture
- GRAP 104: Financial Instruments
- Directive 5: Determining the GRAP Reporting Framework
- IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue
- IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3: Determining Whether an Arrangement Contains a Lease
- Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme
- GRAP 110 (as amended 2016): Living and Non-living Resources
- GRAP 109: Accounting by Principals and Agents
- GRAP 32: Service Concession Arrangements: Grantor
- IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- GRAP 108: Statutory Receivables
- GRAP 21 (as amended 2016): Impairment of non-cashgenerating assets
- Directive 7 (revised): The Application of Deemed Cost
- GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements
- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
- IGRAP 19: Liabilities to Pay Levies
- GRAP 16 (as amended 2016): Investment Property
- GRAP 17 (as amended 2016): Property, Plant and Equipment
- GRAP 26 (as amended 2016): Impairment of cashgenerating assets
- GRAP 103 (as amended 2016): Heritage Assets
- GRAP 18 (as amended 2016): Segment Reporting
- IGRAP 20: Accounting for Adjustments to Revenue
- GRAP 34: Separate Financial Statements
- GRAP 35: Consolidated Financial Statements
- GRAP 36: Investments in Associates and Joint Ventures
- GRAP 37: Joint Arrangements
- GRAP 38: Disclosure of Interests in Other Entities

3. Receivables from exchange transactions

Trade debtors	671 853 017	622 007 126
Other debtors	5 101 950	6 737 956
Prepaid electricity debtor	1 980 074	5 666 175
Prepaid expenses	48 864	49 724
Impairment of debtors	(601 441 007)	(541 640 979)
	77 542 898	**92 820 002**

Aging of receivables from exchange transactions by service type

Ageing of receivables from exchange transactions - 2021	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**90+ days**	**Total**
Deposits	9	4 448	4 210	269 625	278 292
Electricity	854 944	15 219 858	6 474 965	98 320 421	120 870 188
Refuse	(770 113)	6 429 321	6 069 820	387 082 016	398 811 044
Sundries	(1 298 796)	1 109 431	1 023 084	151 059 774	151 893 493
	(1 213 956)	**22 763 058**	**13 572 079**	**636 731 836**	**671 853 017**

Ageing of receivables from exchange transactions - 2020	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**90+ days**	**Total**
Deposits	700	-	-	215 192	215 892
Electricity	624 724	24 139 282	13 640 500	93 742 224	132 146 730
Refuse	-	6 134 697	6 388 512	328 154 998	340 678 207
Sundries	(1 772 664)	1 272 290	1 436 709	148 029 962	148 966 297
	(1 147 240)	**31 546 269**	**21 465 721**	**570 142 376**	**622 007 126**

	2021	2020

3. Receivables from exchange transactions (continued)

Ageing of receivables from exchange transactions by type of debtor

Ageing by type of debtor - 2021	0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	Total
Agriculture	-	152 842	398 170	5 872 251	6 423 263
Business	157 745	10 045 275	3 171 789	37 679 884	51 054 693
Church	-	29 707	33 807	1 612 972	1 676 486
Domestic	16 705	8 049 815	7 280 460	553 072 308	568 419 288
Government	(1 388 407)	1 190 639	672 478	17 705 058	18 179 768
School	-	1 067 390	606 571	12 915 086	14 589 047
Sundry	-	2 227 389	1 408 805	7 874 278	11 510 472
	(1 213 957)	**22 763 057**	**13 572 080**	**636 731 837**	**671 853 017**

Ageing by type of debtor - 2020	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	Total
Agriculture	-	125 166	146 099	5 004 254	5 275 519
Business	615 079	14 987 139	9 462 548	38 889 848	63 954 614
Church	62	138 595	49 583	1 345 682	1 533 922
Domestic	10 283	8 215 356	8 184 480	486 843 549	503 253 668
Government	(1 772 664)	1 079 717	1 043 890	17 527 814	17 878 757
School	-	5 445 583	675 864	8 401 224	14 522 671
Sundry	-	1 554 713	1 903 259	12 130 003	15 587 975
	(1 147 240)	**31 546 269**	**21 465 723**	**570 142 374**	**622 007 126**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions have been pledged as security for any liabilities.

Receivables from exchange past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 45 494 838 (2020: R 80 363 148) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2021	2020
31 - 60 days	3 323 667	6 204 632
61 - 90 days	2 370 983	4 386 501
90+ days	39 800 188	69 772 015
	45 494 838	**80 363 148**

Receivables from exchange transactions impaired

As of 30 June 2021, trade and other receivables of R 601 441 007 (2020: R 541 640 979) were impaired and provided for.

	2021	2020
0 - 30 days	12 946	7 347
31 - 60 days	25 510 759	24 184 051
61 - 90 days	16 195 963	17 079 220
90+ days	559 721 339	500 370 361

Reconciliation of provision for impairment of trade and other receivables

	2021	2020
Opening balance	(541 640 979)	(478 187 189)
Provision for impairment	(59 800 028)	(88 304 801)
Amounts written off as uncollectible	-	24 851 011
	(601 441 007)	**(541 640 979)**

Notes to the Annual Financial Statements

	2021	2020

3. Receivables from exchange transactions (continued)

Debtors are required to settle within 30 days. Interest is charged after this date at prime + 1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necesary.

Debtors are evaluated for impairment on an individual basis using their payment history and taking into consideration the nature of the debtor.

The fair value of trade and other receivables approximates their carrying value.

The amounts written off as uncollectible consists of the write off of amounts owed by Indigent debtors that was approved by Council.

4. Receivables from non-exchange transactions

Assessment rates	348 082 406	296 442 211
Impairment of debtors	(323 936 188)	(253 012 485)
Traffic fines	4 347 518	3 579 069
	28 493 736	**47 008 795**

4. Receivables from non-exchange transactions (continued)

Ageing by service type

Ageing of receivables from non-exchange transactions - 2021	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	Total
Assessment rates	4 364 551	9 433 686	8 096 269	326 187 900	348 082 406
	4 364 551	**9 433 686**	**8 096 269**	**326 187 900**	**348 082 406**

Ageing of receivables from non-exchange transactions - 2020	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	Total
Assessment rates	6 196 262	1 461 173	8 775 905	280 008 871	296 442 211
	6 196 262	**1 461 173**	**8 775 905**	**280 008 871**	**296 442 211**

Ageing by debtor type

Ageing of receivables from non-exchange transactions by debtor type - 2021	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	Total
Agricultural	1 184 948	199 245	196 848	6 978 939	8 559 980
Business	267 958	1 172 859	721 986	14 445 548	16 608 351
Church	3 101	14 885	14 849	533 447	566 282
Domestic	5 804 326	7 522 489	6 657 946	271 944 230	291 928 991
Government	(3 743 208)	485 883	466 348	27 796 619	25 005 642
Schools	837 329	38 205	38 172	4 457 111	5 370 817
Sundry	10 097	120	120	32 006	42 343
	4 364 551	**9 433 686**	**8 096 269**	**326 187 900**	**348 082 406**

Ageing of receivables from non-exchange transactions by debtor type - 2020	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	Total
Agricultural	228 489	91 245	212 880	18 137 044	18 669 658
Business	1 345 460	25 961	1 066 890	11 672 024	14 110 335
Church	11 802	1 272	11 246	422 840	447 160
Domestic	6 464 034	1 100 486	6 910 295	219 679 164	234 153 979
Government	(1 872 058)	216 213	526 440	24 583 846	23 454 441
Schools	18 313	25 902	48 028	5 497 126	5 589 369
Sundry	222	94	126	16 827	17 269
	6 196 262	**1 461 173**	**8 775 905**	**280 008 871**	**296 442 211**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 9 118 455 (2020: R 39 651 088) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2021	2020
31 - 60 days	(2 752 292)	(1 818 704)
61 - 90 days	1 252 921	2 010 545
90+ days	10 617 826	39 459 247
	9 118 455	**39 651 088**

Receivables from non-exchange transactions impaired

Notes to the Annual Financial Statements

	2021	2020

4. Receivables from non-exchange transactions (continued)

As of 30 June 2021, other receivables from non-exchange transactions of R 323 936 188 (2020: R 253 012 485) were impaired and provided for.

0 - 30 days	6 955 294	6 460 620
31 - 60 days	7 650 239	1 130 587
61 - 90 days	6 565 661	6 790 383
90+ days	302 764 994	238 630 895
	323 936 188	**253 012 485**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(253 012 485)	(215 673 095)
Provision for impairment	(70 923 703)	(56 805 577)
Amounts written off as uncollectible	-	19 466 187
	(323 936 188)	**(253 012 485)**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	40 082	40 082
Bank balances	3 919 634	707 225
Short-term deposits	33 501 510	57 532 900
Bank overdraft	-	(13 638 326)
	37 461 226	**44 641 881**

Current assets	37 461 226	58 280 207
Current liabilities	-	(13 638 326)
	37 461 226	**44 641 881**

	2021	2020

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB BANK - Current Account - 624-38159-809	2 642 477	422 692	1 239 735	2 579 048	(13 638 326)	2 305 985
ABSA BANK - Current Account - 216-014-3854	1 393 204	1 247 287	446 846	1 340 586	707 225	379 089
FNB BANK - Call Account - 626-56734-392	-	-	3 566	-	-	3 566
FNB BANK - Call Account - 624-59044-162	23 934 585	2 749 530	280 121	23 934 585	2 749 530	280 121
FNB BANK - Call Account - 624-96427-967	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - Call Account - 624-96432-635	-	-	1 000	-	-	1 000
FNB BANK - Call Account - 624-96436-265	1 000	1 000	50 762	1 000	1 000	50 762
FNB BANK - Call Account - FMG - 624-96439-607	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - Call Account - 625-99305-763	10 741	6 650 431	3 354 033	10 741	6 650 431	3 354 033
FNB BANK - Call Account - 624-96441-842	6 528 164	35 667 291	5 580 390	6 528 164	35 696 274	5 609 373
FNB BANK - Call Account - 628-52253-261	3 023 807	12 254 465	-	3 023 807	12 254 465	-
FNB BANK - Call Account - 628-52254-300	1 030	207 999	-	1 030	207 999	-
Total	**37 537 008**	**59 202 695**	**10 958 453**	**37 420 961**	**44 630 598**	**11 985 929**

6. Biological assets

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Game animals	5 527 600	-	5 527 600	5 216 500	-	5 216 500

Reconciliation of biological assets - 2021

	Opening balance	Fair value adjustment	Total
Game animals	5 216 500	311 100	5 527 600

Reconciliation of biological assets - 2020

	Opening balance	Fair value adjustment	Total
Game animals	4 819 300	397 200	5 216 500

6. Biological assets (continued)

Non-financial information

No restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:
- Ensure that the game life of the unicipal are are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the pruchase of game, resulting in an inflow of economic resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:
- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

Methods and assumptions used in determining fair value

Game type	2021 Quantity	2021 Fair value	2020 Quantity	2020 Fair value
Rhino	7	2 450 000	7	2 450 000
Giraffe	20	240 000	30	360 000
Eland	44	264 000	42	252 000
Kudu	43	193 500	34	153 000
Zebra	64	320 000	64	320 000
Nyala	18	90 000	13	65 000
Lechwe	30	450 000	10	150 000
Blesbok	45	54 000	13	15 600
Impala	136	163 200	108	129 600
Springbok	25	25 000	19	19 000
Fallow Deer	22	55 000	20	50 000
Gemsbok	35	157 500	32	144 000
Duiker	-	-	12	12 000
Steenbok	-	-	4	4 000
Black Wildebeest	69	124 200	57	102 600
Red Hartebeest	80	280 000	73	255 500
Ostrich	11	13 200	11	13 200
Mountain Reed Buck	12	18 000	7	10 500
White Blesbok	-	-	23	80 500
Buffalo	10	630 000	10	630 000
	671	**5 527 600**	**589**	**5 216 500**

An active market exists for game therefore the fair value of the game was determined with reference to the price in the relevant market. Due to COVID-19 and no to poor hunting activity there was no reason to materially adjust the market values used to fair value the game in the previous year.

In 2018 the Municipality exchanged three white rhinoceroses for 10 buffalo. The buffalo are being kept on a private game reserve until the Municipal game reserve has been made suitable.

7. Investment property

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	326 352 511	-	326 352 511	326 352 511	-	326 352 511

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	326 352 511	326 352 511

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	326 352 511	326 352 511

Pledged as security

No investment has been pledged as security for any liability.

Key judgements and assumptions regarding control over land

Property owned by the Municipality that has RDP houses built on it has not been included in Investment Property as the municipality does not control access to the land.

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.

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	197 438 917	-	197 438 917	197 438 917	-	197 438 917
Buildings	130 738 374	(72 721 481)	58 016 893	130 738 374	(68 248 737)	62 489 637
Furniture and fixtures	5 894 972	(2 820 660)	3 074 312	5 894 972	(2 231 163)	3 663 809
Motor vehicles	25 092 282	(6 959 462)	18 132 820	24 496 545	(5 534 126)	18 962 419
IT equipment	3 867 493	(2 410 527)	1 456 966	3 841 346	(1 850 555)	1 990 791
Electricity	304 317 127	(147 861 657)	156 455 470	281 033 728	(139 692 695)	141 341 033
Roads and storm water	849 495 311	(458 467 046)	391 028 265	838 627 253	(432 590 441)	406 036 812
Landfill site	24 446 987	(3 380 932)	21 066 055	24 255 783	(2 719 062)	21 536 721
Work in progress	191 143 597	(44 153 725)	146 989 872	135 279 344	(44 153 724)	91 125 620
Community assets	330 489 464	(153 826 386)	176 663 078	294 707 061	(141 991 635)	152 715 426
Other equipment	4 931 855	(1 704 054)	3 227 801	3 715 234	(1 238 830)	2 476 404
Total	**2 067 856 379**	**(894 305 930)**	**1 173 550 449**	**1 940 028 557**	**(840 250 968)**	**1 099 777 589**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Depreciation	Total
Land	197 438 917	-	-	-	197 438 917
Buildings	62 489 637	-	-	(4 472 744)	58 016 893
Furniture and fixtures	3 663 809	-	-	(589 497)	3 074 312
Motor vehicles	18 962 419	595 737	-	(1 425 336)	18 132 820
IT equipment	1 990 791	26 147	-	(559 972)	1 456 966
Electricity	141 341 033	21 711 869	1 571 530	(8 168 962)	156 455 470
Roads and storm water	406 036 812	2 073 542	8 790 726	(25 872 815)	391 028 265
Landfill sites	21 536 721	191 204	-	(661 870)	21 066 055
Work in progress	91 125 620	83 194 363	(27 330 111)	-	146 989 872
Community assets	152 715 426	18 814 548	16 967 855	(11 834 751)	176 663 078
Other equipment	2 476 404	1 216 621	-	(465 224)	3 227 801
	1 099 777 589	**127 824 031**	**-**	**(54 051 171)**	**1 173 550 449**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	197 438 917	-	-	-	-	197 438 917
Buildings	83 952 076	-	-	(4 585 984)	(16 876 455)	62 489 637
Furniture and fixtures	4 078 166	171 388	-	(585 745)	-	3 663 809
Motor vehicles	20 353 983	-	-	(1 391 564)	-	18 962 419
IT equipment	2 304 891	231 909	-	(546 009)	-	1 990 791
Electricity	167 529 999	15 111 688	-	(8 547 984)	(32 752 670)	141 341 033
Roads and storm water	602 586 361	-	-	(28 251 414)	(168 298 135)	406 036 812
Landfill sites	21 973 724	181 925	-	(618 928)	-	21 536 721
Work in progress	113 072 438	23 268 101	(1 061 195)	-	(44 153 724)	91 125 620
Community assets	204 976 570	-	1 061 195	(11 480 517)	(41 841 822)	152 715 426
Other equipment	2 810 544	73 892	-	(408 032)	-	2 476 404
	1 421 077 669	**39 038 903**	**-**	**(56 416 177)**	**(303 922 806)**	**1 099 777 589**

Notes to the Annual Financial Statements

	2021	2020

8. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment has been pledged as security for any liability.

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	138 850 680	87 018 952
Community assets	48 243 904	45 349 794
	187 094 584	**132 368 746**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Roads and stormwater	40 737 184	40 737 184
Electricity	10 353 188	10 353 188
Community assets	24 305 510	24 305 510
	75 395 882	**75 395 882**

Details of Projects that are taking a significantly longer period of time to complete than expected		
Electrical Refurbishment/Ezibeleni 11K Isolating points and Open Wire Network The Service Provider was terminated due to non-performance	9 783 584	9 783 584
Baccelsfarm Bridge The service provider was terminated due to non-perfomance and delays in payments by the munciplaity due to the reimbersment schem by Treasury	6 179 476	6 179 476
Surfacing of Taxi routes in Molteno & Sterkstroom Phase 5 15/16 The Service Provider was terminated due to non-performance	5 479 844	5 479 844
The Renovation of a sport field, grand stand and ablution facilities in Sterkstroom 15/16 The Service Provider was terminated due to non-performance	4 937 232	4 937 232
Community Hall in Ward 17 The Service Provider was terminated due to non-perfomance	18 913 989	18 913 989
Upgrading of Gravel Road to Paving In Mlungisi (OR Tambo and Thabo Mbeki Streets) The Service Provider was terminated due to non-perfomance, The Project also could not continue as it was funded by Municipal Funds.	19 345 190	19 345 190
Replacement of Transmitter For Queendustria Substation for Load Management System The Service Provider was terminated due to non-performance	569 604	569 604
Surfacing of Taxi Routes in Molteno and Sterkstroom Phase 3 Due to unforeseen and unplanned events of public protests and unsatisfactory performance by the contractor the WIP projects took longer than anticipated	9 732 674	9 732 674
The construction of a shearing shed in Whittlesea The Service Provider was terminated due to non-performance	454 289	454 289
	75 395 882	**75 395 882**

8. Property, plant and equipment (continued)

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

Impairment

Based on 2019/20 audit recommendations and impairments included in Property, plant and equipment, for assets in use (assets in fair to poor condition) extensive impairment review was conducted in the 2021 financial year and no triggers for impairment were identified and thus no impairments were incurred for the reporting period.

9. Heritage assets

	2021			2020		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art, antiquities, exhibits and war memorials	2 539 920	-	2 539 920	2 539 920	-	2 539 920

Reconciliation of heritage assets 2021

	Opening balance	Total
Art, antiquities, exhibits and war memorials	2 539 920	2 539 920

Reconciliation of heritage assets 2020

	Opening balance	Total
Art, antiquities, exhibits and war memorials	2 539 920	2 539 920

Pledged as security

No heritage assets have been pledged as security.

10. Other financial assets

	2021	2020
At amortised cost		
Fixed deposits	137 162	403 838
Non-current assets		
At amortised cost	137 162	403 838

	2021	2020

10. Other financial assets (continued)

Financial assets at amortised cost

Fixed deposits consist of the following accounts from ABSA:

	2021	2020
ABSA - Fixed Deposit Account - 20-5423-8637	24 250	22 610
ABSA - Fixed Deposit Account - 20-5441-0158	-	9 622
ABSA - Fixed Deposit Account - 20-5487-1867	-	7 940
ABSA - Fixed Deposit Account - 20-5488-0953	-	7 940
ABSA - Fixed Deposit Account - 20-5533-9377	13 665	12 824
ABSA - Fixed Deposit Account - 20-5759-5270	-	15 642
ABSA - Fixed Deposit Account - 20-5775-0882	-	30 583
ABSA - Fixed Deposit Account - 20-5868-1438	-	21 226
ABSA - Fixed Deposit Account - 20-5874-5343	-	15 262
ABSA - Fixed Deposit Account - 20-5874-5458	-	11 772
ABSA - Fixed Deposit Account - 20-5874-5521	-	8 899
ABSA - Fixed Deposit Account - 20-5923-6583	16 499	15 384
ABSA - Fixed Deposit Account - 20-5923-6672	36 904	34 410
ABSA - Fixed Deposit Account - 20-6432-5597	45 844	42 701
ABSA - Fixed Deposit Account - 20-6068-1802	-	64 069
ABSA - Fixed Deposit Account - 20-6068-1577	-	74 048
ABSA - Fixed Deposit Account - 20-6066-7315	-	8 906
	137 162	**403 838**

Financial assets pledged as collateral

Collateral

No financial assets have been pledged as collateral for any liabilities.

11. Payables from exchange transactions

	2021	2020
Trade payables	580 529 012	419 655 310
Payments received in advanced	30 597 964	20 793 949
Other payables	24 742	16 226 461
Unallocated deposits	17 377 267	25 204 814
Equitable Share excess	941 862	-
Retention fees	6 806 262	3 583 819
Payroll control	1 328 688	1 111 271
	637 605 797	**486 575 624**

12. VAT

	2021	2020
VAT payable	2 923 702	11 349 349

13. Consumer deposits

	2021	2020
Electricity	10 474 452	10 239 855

Notes to the Annual Financial Statements

14. Employee benefit obligations

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

	2021	2020
Carrying value		
Non-current portion of Post Retirement Medical Aid	(26 701 000)	(24 580 000)
Non-current portion of Long Service Awards	(17 180 000)	(15 650 000)
Current portion of Post Retirement Medical Aid	(1 314 000)	(1 275 000)
Current portion of Long Service Awards	(1 772 000)	(3 368 000)
Accrual for bonuses	(7 680 713)	(8 017 434)
Accrual for leave	(43 668 633)	(36 284 033)
	(98 316 346)	**(89 174 467)**
Non-current liabilities	(43 881 000)	(40 230 000)
Current liabilities	(54 435 346)	(48 944 467)
	(98 316 346)	**(89 174 467)**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	3 413 000	3 455 052
Interest cost	3 734 000	3 827 001
Actuarial (gains) losses	(410 000)	(4 931 821)
Benefits paid	(4 643 000)	(3 341 247)
	2 094 000	**(991 015)**

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Medical health gross discount rate	9.70 %	10.01 %
Healthcare cost inflation rate	6.60 %	6.18 %
Medical healthcare net discount rate	2.91 %	3.61 %
Long service award gross discount rate	6.96 %	6.96 %
Long service award CPI rate	2.73 %	2.73 %
Long service award salary inflation rate	3.73 %	3.73 %
Long service award net discount rate	3.11 %	3.11 %

	2021	2020

14. Employee benefit obligations (continued)

Other assumptions

• Pre retirement mortality	SA 85-90 light-1
• Post retirement mortality	PA (90)-1, with 1% p.a. mortality improvement from 2019
• Normal retirement age	62 years
• Spouse age differences (Male older than female)	3 years
• AIDS	No assumptions made
• Proportion with a spouse dependant at retirement	60%
• Continuation of membership at retirement	75%
• Proportion of eligible in-service non-members joining a scheme by retirement and continuing with the subsidy at hand and after retirement	15%

The assumed general earnings, healthcare inflation rate and discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general earnings would have the following effects:

	One percentage point increase	One percentage point decrease
General earnings		
Effect on the aggregate of the service cost and interest cost	236 000	(214 000)
Effect on defined benefit obligation	1 093 000	(998 000)
Discount rate		
Effect on the aggregate of the service cost and interest cost	(208 000)	234 000
Effect on defined benefit obligation	(3 737 000)	4 369 000
Healthcare inflation rate		
Effect on the aggregate of the service cost and interest cost	29 000	(40 000)
Effect on defined benefit obligation	148 000	(201 000)

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

	2021	2020	2019	2018	2017
Employee benefit obligation	46 967 000	44 873 000	45 864 015	44 344 930	100 205 000

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	6 528 563	33 213 646
Integrated National Electrification Programme Grant	-	6 390 018
Chris Hani District Municipality	-	37 458
Municipal Disaster Relief Grant	-	204 557
Department of Transport	1 185 509	5 029 571
	7 714 072	**44 875 250**

Movement during the year

	2021	2020
Balance at the beginning of the year	44 875 250	8 271 702
Additions during the year	97 349 436	103 449 987
Income recognition during the year	(90 543 361)	(58 570 358)
Amount paid back to National Treasury	(43 967 253)	(8 276 081)
	7 714 072	**44 875 250**

Notes to the Annual Financial Statements

	2021	2020

16. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Fair value adjustment	Interest	Total
Landfill site	28 275 007	191 203	1 098 660	29 564 870

Reconciliation of provisions - 2020

	Opening Balance	Fair value adjustment	Interest	Total
Landfill site	27 034 275	181 925	1 058 807	28 275 007

Environmental rehabilitation provision

The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The expected future cost to rehabilitate the landfill site is the best estimate of the expenditure required to settle the present obligation. This is determined as the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

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

17. Service charges

	2021	2020
Sale of electricity	218 505 184	254 264 089
Refuse removal	52 052 882	51 921 446
	270 558 066	**306 185 535**

18. Rental of facilities and equipment

	2021	2020
Premises		
Rental of municipal properties	3 383 791	3 233 201
Garages and parking		
Rental of carports	1 766	2 163
Facilities and equipment		
Rental of container	20 578	20 578
Rental of street signs	173 692	79 544
	194 270	**100 122**
	3 579 827	**3 335 486**

Notes to the Annual Financial Statements

	2021	2020

19. Income from agency services

Vehicle Registration	5 102 777	3 765 287

The income from agency fees consists of commission received from the Department of Transport for the issuing of vehicle registrations. The municipality (agent) collects licencing fees for vehicles on behalf of the Department of Transport (principal).

20. Licences and permits

Drivers licences	2 939 134	2 771 161
Trading, transport and special	15 547	159 929
	2 954 681	**2 931 090**

21. Other income

Advert costs	739	2 174
Building plan fees	229 021	213 409
Burial fees	1 808 208	880 893
Commission	41 612	43 187
Electricity reconnection fees	827 924	691 957
Gate Monies	53 522	92 088
Insurance claims	-	1 994 680
Miscellaneous income	377 950	402 142
Pound fees	759 059	489 863
Roadworthy certificates	28 172	91 479
Sale of tender documents	193 027	175 547
	4 319 234	**5 077 419**

22. Investment revenue

Interest revenue		
Bank	62 635	179 205
Investments	2 779 436	1 514 426
	2 842 071	**1 693 631**

Notes to the Annual Financial Statements

	2021	2020

23. Property rates

Rates received

Property rates	125 258 499	115 216 787

Valuations

Agricultural	5 087 045 260	4 931 634 866
Business	2 606 386 464	2 515 174 470
Communal and State trust	-	425 951 560
Church	203 384 011	191 201 006
Education	268 632 000	-
Government	433 671 034	407 664 038
Industrial	132 054 008	138 866 008
Municipal	1 169 944 137	1 128 783 138
Other	30 219 006	32 207 004
Public service infrastructure	393 826 024	541 438 224
Residential	8 584 797 612	8 249 375 145
Vacant land	378 759 459	242 947 284
	19 288 719 015	**18 805 242 743**

The last general valuation came into effect on 1 July 2019. The general valuation roll was compiled by Ndlala Mass Valuation Services.

The below rates are applied to property valuations to determine assessment rates:

Category		
Domestic	0.00881010	0.00839055
Commercial	0.01113720	0.01060689
Agriculture	0.00225020	0.00214305
Government	0.00881160	0.00839202
Industrial	0.01113720	-
Public service infrastructure	0.00225020	0.00214305
Vacant land	0.04114820	0.03918873

24. Government grants and subsidies

Operating grants		
Equitable share	228 042 000	180 006 315
Expanded Public Works Programme Grant	3 996 000	4 422 003
Finance Management Grant	3 000 000	4 000 000
Libary grant	5 250 000	5 250 000
Municipal Disaster Relief Grant	204 557	689 443
	240 492 557	**194 367 761**

Notes to the Annual Financial Statements

	2021	2020

24. Finance costs (continued)

Capital grants

	2021	2020
Department of Transport	32 349 498	20 465 646
Integrated National Electrification Programme Grant	3 500 000	2 368 897
Municipal Infrastructure Grant	43 659 238	20 898 753
Chris Hani District Municipality	37 459	475 615
	79 546 195	**44 208 911**
	320 038 752	**238 576 672**

Equitable Share

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

Financial Management Grant

	2021	2020
Current-year receipts	3 000 000	4 000 000
Conditions met - transferred to revenue	(3 000 000)	(4 000 000)
	-	**-**

Expanded Public Works Programme Grant

	2021	2020
Current-year receipts	3 996 000	4 422 000
Conditions met - transferred to revenue	(3 996 000)	(4 422 000)
	-	**-**

Municipal Infrastructure Grant

	2021	2020
Balance unspent at beginning of year	33 213 646	2 537 686
Current-year receipts	53 098 000	54 112 000
Conditions met - transferred to revenue	(42 191 421)	(20 898 753)
Amount paid back to National Treasury	(37 591 662)	(2 537 287)
	6 528 563	**33 213 646**

Integrated National Electrification Programme Grant

	2021	2020
Balance unspent at beginning of year	6 390 018	5 220 943
Current-year receipts	3 500 000	5 448 000
Conditions met - transferred to revenue	(3 500 003)	(2 368 897)
Amount paid back to National Treasury	(6 390 015)	(1 910 028)
	-	**6 390 018**

Chris Hani District Municipality

	2021	2020
Balance unspent at beginning of year	37 458	513 073
Conditions met - transferred to revenue	(37 458)	(475 615)
	-	**37 458**

Municipal Disaster Relief Grant

	2021	2020
Balance unspent at beginning of year	204 557	-
Current-year receipts	-	894 000
Conditions met - transferred to revenue	(204 557)	(689 443)
	-	**204 557**

Notes to the Annual Financial Statements

	2021	2020

24. Finance costs (continued)

Library subsidy

Current-year receipts	5 250 000	5 250 000
Conditions met - transferred to revenue	(5 250 000)	(5 250 000)
	-	-

Department of Transport

Balance unspent at beginning of year	5 029 571	-
Current-year receipts	28 869 330	25 495 217
Conditions met - transferred to revenue	(32 713 392)	(20 465 646)
	1 185 509	**5 029 571**

25. Public contributions and donations

Donation of assets in kind	51 717 565	-

The donations in kind consist of Property, plant and equipment that was donated to the Municipality:

Buyback

Christ Hani Development Agency donated a Buy back building to the value of R18 819 766.

Horizon View Development

Roads to the value of R7 064 228 and electrical infrastructure assets of R1 571 530 were constructed by Berry Park Property developments (Pty) Ltd.

Refurbishment of Queens Industria Substation

The Queens Industria Substation was refurbished by Eastern Cape Development Corporation. The refurbishment amounted to R21 139 709.

Bells Street

The paving of Bells Street was carried out by Chris Hani District Municipality. The value of the paving was R2 077 330.

26. Fines, Penalties and Forfeits

Electricity	422 327	892 127
Traffic	1 281 050	2 465 050
	1 703 377	**3 357 177**

Notes to the Annual Financial Statements

27. Employee related costs

	2021	2020
Basic	210 204 364	204 263 522
Bonus	17 945 251	15 396 426
Bargaining council	99 174	69 197
Casual labour	4 771 087	5 781 062
Contract workers	10 639 751	9 759 156
Group life insurance	978 296	958 838
Leave pay provision charge	10 591 816	4 350 652
Housing benefits and allowances	402 199	390 339
Long-service awards	47 000	1 552 628
Medical aid - company contributions	19 719 433	18 733 802
Night shift services	1 254 717	842 401
Overtime payments	4 662 753	8 616 341
Pension - company contributions	36 693 124	34 610 938
Skills development levy	2 586 328	2 584 625
Transport allowances	8 589 015	9 457 964
UIF	1 479 006	1 479 930
	330 663 314	**318 847 821**

Remuneration of Municipal Manager

	2021	2020
Basic salary	1 302 430	1 061 704
Backpay	-	29 060
Remote Allowance	61 552	50 176
UIF	1 813	1 487
Bargaining council	119	93
Contributions to pension fund	234 438	196 338
Skills development levy	12 549	10 468
	1 612 901	**1 349 326**

Remuneration of Chief Finance Officer (Acting)

	2021	2020
Basic salary	738 942	695 472
Bonus	61 579	57 956
Acting allowance	9 477	6 298
Travel allowance	150 000	150 000
Housing allowance	11 574	10 893
Subsistence and travel	-	8 127
UIF	1 813	1 785
Bargaining council	119	112
Contributions to pension fund	133 010	125 185
Contributions to medical fund	43 940	41 474
Skills development levy	9 643	9 214
Group life insurance	15 148	14 257
	1 175 245	**1 120 773**

27. Employee related costs (continued)

Remuneration of the Chief Financial Officer

	2021	2020
Basic salary	484 068	412 956
Transport allowance	50 000	-
Remote allowance	23 380	16 544
Leave payout	50 316	-
Backpay	-	5 939
UIF	920	595
Bargaining council	59	37
Contributions to pension fund	49 454	-
Skills development levy	5 731	4 355
	663 928	**440 426**

Remuneration of the Chief Financial Officer (Acting Municipal Manager)

	2021	2020
Basic salary	-	710 647
Leave pay	-	195 843
Acting allowance	-	25 068
Subsistence and travel	-	4 033
Remote Allowance	-	27 089
UIF	-	1 041
Bargaining council	-	65
Skills development levy	-	9 626
	-	**973 412**

The former CFO resigned in January 2020 and the new CFO was appointed in March 2020. In the time between the appointments a Municipal Official acted as CFO.

The Municipal Manager was appointed in September 2019. The former CFO acted as Municipal Manager until the appointment.

Remuneration of the Director: Technical Services

	2021	2020
Basic salary	396 613	1 002 758
Backpay	-	34 686
Travel allowance	37 500	-
Subsistence and travel	-	5 071
Remote Allowance	20 965	47 084
Leave payout	176 105	-
UIF	744	1 785
Bargaining council	50	112
Contributions to retirement fund	71 391	186 740
Contribution to medical fund	17 826	41 289
Skills development levy	6 059	10 374
	727 253	**1 329 899**

	2021	2020

27. Employee related costs (continued)

Remuneration of the Acting Director: Technical Services

	2021	2020
Basic salary	569 274	267 894
Bonus	47 440	-
Acting allowance	108 313	68 101
Travel allowance	150 000	75 000
UIF	1 813	892
Bargaining council	119	56
Contributions to pension fund	102 469	48 221
Contribution to medical fund	51 211	25 044
Skills development levy	8 451	3 970
	1 039 090	**489 178**

A new Director of Technical Services was appointed in 2019 but the Director was placed on suspension in 2020 and an Acting Director of Technical Services has been apointed until the matter of the Director's suspension has been resolved.

Remuneration of the Director: Community and Social Services

	2021	2020
Basic salary	989 778	819 199
Backpay	-	14 847
Bonuses	-	19 050
Leave payout	-	83 151
Travel allowance	50 000	62 500
Acting Allowance	-	126 828
Remote allowance	50 316	28 780
UIF	1 813	1 933
Bargaining council	119	112
Contributions to pension fund	178 147	150 128
Contributions to medical aid	38 037	35 697
Skills development levy	10 292	11 026
	1 318 502	**1 353 251**

The municipal official acting as the Director of Community and Social Services was appointed to the position of in 2020. The Director has been placed on suspension and another municipal official was appointed to act in the position.

Remuneration of the Director: Corporate and Support Services

	2021	2020
Basic salary	1 064 375	887 163
Backpay	-	14 847
Bonus	-	33 808
Leave payout	-	243 534
Acting allowance	-	63 399
Travel allowance	-	62 500
Housing allowance	-	4 539
Remote allowance	50 316	28 780
Travel and subsistence	12 231	17 619
UIF	1 813	1 933
Bargaining council	119	112
Contributions to pension fund	191 588	162 362
Contributions to medical fund	-	35 939
Skills development levy	10 509	13 155
Group life insurance	21 820	18 187
	1 352 771	**1 587 877**

The municipal official acting in the position of Director of Corporate and Support Services was appointed to the position in December 2019.

Notes to the Annual Financial Statements

	2021	2020

27. Employee related costs (continued)

Remuneration of the Director: Strategic Executive

Basic salary	1 107 018	641 501
Backpay	-	14 847
Bonuses	100 000	100 000
Remote allowance	50 312	28 779
UIF	1 813	1 041
Bargaining council	119	-
Contributions to medical fund	57 277	26 954
Skills development levy	13 147	7 121
	1 329 686	**820 243**

The contract for the Strategic Executive Officer expired in June 2019. A new contract was negotiated and the Director was reappointed from December 2019.

28. Remuneration of councillors

Honourable Mayor	912 631	928 388
Chief Whip	695 573	678 188
Speaker	695 574	680 789
Councillors salaries	19 686 218	20 577 647
Executive Committee Members	3 477 868	3 275 502
	25 467 864	**26 140 514**

29. Depreciation and amortisation

Property, plant and equipment	54 051 171	56 422 815

30. Finance costs

Other interest paid	26 934 592	25 761 456

31. Debt impairment

Contributions to debt impairment provision	130 704 123	145 110 378

32. Repairs and maintenance

Plant and machinery	1 799 058	1 988 803
Buildings and grounds	114 582	816 900
Roads and stormwater	1 544 424	(1 645 286)
Electrical infrastructure	1 265 385	2 056 373
	4 723 449	**3 216 790**

33. Bulk purchases

Electricity - Eskom	277 911 740	247 520 602

	2021	2020

33. Bulk purchases (continued)

Electricity losses

	Number 2021	Number 2020		
Units purchased	238 028 398	227 666 988	319 598 501	284 648 690
Units sold	(120 157 703)	(116 242 868)	(239 500 989)	(222 802 277)
Total loss	**117 870 695**	**111 424 120**	**80 097 512**	**61 846 413**
Comprising of:				
Technical losses	-	-	-	-
Non-technical losses	117 870 695	111 424 120	80 097 512	61 846 413
Total	**117 870 695**	**111 424 120**	**80 097 512**	**61 846 413**
Percentage Loss:				
Technical losses	- %	- %	- %	- %
Non-technical losses	50 %	49 %	25 %	22 %
Total	**50 %**	**49 %**	**25 %**	**22 %**

The loss in electricity sales is due to the high instance of illegal connections and meter tampering.

34. Contracted services

Legal fees	3 723 505	5 312 863
Maintenance	9 529 081	12 162 035
General Valuation	584 703	518 102
Accounting and MSCOA	7 292 216	9 567 297
	21 129 505	**27 560 297**

35. Transfers and subsidies

Other subsidies		
SPCA	50 000	162 500
Free basic services	962 835	4 452 104
	1 012 835	**4 614 604**

Notes to the Annual Financial Statements

	2021	2020

36. General expenses

Accommodation	309 134	714 462
Audit committee	246 490	196 506
Advertising	550 518	769 695
Alternative energy	656 056	1 331 897
Auditors remuneration	6 832 976	4 692 338
Bank charges	1 172 903	1 218 193
Cleaning	-	457 810
Consumables	635 980	748 452
Entertainment	54 293	157 348
Fuel and oil	4 249 672	6 476 945
Insurance	2 282 408	2 871 540
Medical expenses	208 979	134 930
Other expenses	-	6 135
Postage and courier	4 905	7 824
Printing and stationery	377 801	581 918
Project expenditure	3 991 025	5 740 815
Promotions	114 593	360 078
Protective clothing	51 595	615 640
Rentals	1 704 487	3 044 259
Subscriptions and membership fees	3 568 374	3 046 624
Telephone and fax	6 638 993	7 371 152
Training	179 883	1 605 753
Travel - local	49 627	111 262
Title deed search fees	75 643	35 901
Utilities	2 370 511	4 737 938
Vehicle licenses	1 601 476	674 334
Ward committees	4 349 000	4 035 000
Workmen's compensation	2 307 947	2 829 345
	44 585 269	**54 574 094**

37. Auditors' remuneration

Fees	6 832 976	4 692 338

38. Cash generated from operations

Deficit	(83 265 216)	(474 326 611)
Adjustments for:		
Depreciation and amortisation	54 051 171	56 422 815
Fair value adjustment	(311 100)	(397 200)
Debt impairment	130 704 123	145 110 378
Movements in Employee benefit obligations	9 551 879	4 606 110
Movements in Provisions	1 289 863	1 240 732
Actuarial gains or losses	(410 000)	(4 931 821)
Impairment loss on Property, plant and equipment	-	303 922 808
Donation of assets in kind	(51 717 565)	-
Changes in working capital:		
Decrease/(Increase) in Receivables from exchange transactions	(44 503 316)	(87 622 831)
Decrease/(Increase) in Receivables from non-exchange transactions	(52 408 644)	(102 614 195)
Increase/(Decrease) in Payables from exchange transactions	151 030 173	180 194 073
Increase/(Decrease) in VAT	(8 425 647)	19 897 291
Increase/(Decrease) in Unspent conditional grants and receipts	(37 161 178)	36 603 948
Increase/(Decrease) in Consumer deposits	234 597	32 355
	68 659 140	**78 137 852**

Notes to the Annual Financial Statements

	2021	2020

39. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	77 542 898	77 542 898
Cash and cash equivalents	37 461 226	37 461 226
Other financial assets	137 162	137 162
	115 141 286	**115 141 286**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	637 605 797	637 605 797
Consumer deposits	10 474 452	10 474 452
	648 080 249	**648 080 249**

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	92 820 002	92 820 002
Cash and cash equivalents	58 280 207	58 280 207
Other financial assets	403 838	403 838
	151 504 047	**151 504 047**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	486 575 624	486 575 624
Consumer deposits	10 239 855	10 239 855
Bank overdraft	13 638 326	13 638 326
	510 453 805	**510 453 805**

Notes to the Annual Financial Statements

	2021	2020

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	239 266 748	297 339 643
Total capital commitments		
Already contracted for but not provided for	239 266 748	297 339 643

Total commitments

Total commitments		
Authorised capital expenditure	239 266 748	297 339 643

This committed expenditure relates to property, plant and equipment and will be financed by retained surpluses, existing cash resources, and grant funding.

41. Contingencies

Pending litigations and claims:

Matter 16666 GHT H/C - Jan Draghoender v Lukhanji Local Municipality	1 092 926	-
Plaintiff sues municipality for damages arising out of his utilisation of municipal property		
Matter 8092 Qtn Mag Crt - A Motile v Lukhanji Municipality	129 814	129 814
2005 Applicant seek damages for repairs and maintenance to property he leased from the municipality for an amount of R94 814. Will raise a defence of prescription and satisfied that this will succeed.		
Mat 17611 Qtn Mag Crt - Luyolo Siyongwana v Lukhanji Municipality	180 000	180 000
Plaintiff sues the municipality for R100 000.00 damages arising from a wrongful arrest. Reasonable prospects of success in defending the matter exist		
Matter 849/2017 GHT/HC - Phumla Madlavu v Enoch Mgijima Municipality	1 500 000	1 500 000
Plaintiff sues the municipality for injuries caused to her child due to an unattended electricity substation wherein her child was electrocuted.		
Case No. 1078/2011 Mthatha High Court - Pinky Gidzana	4 735 981	-
Plaintiff sues the municipality for injuries caused to her child due to alleged negligence by the municipality leading to cement pipes falling on her child causing pelvic injuries to her. Judgment granted for plaintiff. matter to proceed on quantum.		
ECQTNRC29/2018 - Nomabhaca Lourna Mgulwa	480 000	400 000
The plaintiff sues the municipality together with Cllr Mbengo for R400 000 for damages arising out of alleged comments by the councilor in a local newspaper about plaintiff.		

Notes to the Annual Financial Statements

	2021	2020
41. Contingencies (continued)		
Case No. 04/2018 - Tian Schoeman v Enoch Mgijima and Nozibele Makanda	166 450	166 450
Plaintiff sues the municipality for loss and damage of his vehicle to the value of R86 450.00 due to an accident allegedly caused by former mayor Makanda		
Case No. 2297/2016 - Nosibulelo Dalasile v Enoch Mgijima	160 000	160 000
Plaintiff sues the municipality for R100 000.00 for injuries caused when she fell onto an open and unattended drain.		
Case No. 648/2018 - Axolile Qononda v Enoch Mgijima LM/ Elliot Tromp	28 400	28 400
Plaintiff sues municipality for R28 400.47 for damages to his car due to negligent driving by the municipal employee		
Mat 9476 Qtn Mag Crt - Lukhanji Municipality vs. Malongwe KS	100 000	100 000
2004 Instructed to launch an application for demolition of an irregular building.		
Mat 23154 - Zepe & Company vs Lukhanji Municipality	226 348	226 348
Action for the recovery of legal costs in a matter in which the Plaintiff acted for the municipality.		
Case No. ECD 3413/18 - Border Kei Chamber of Business and Others vs Eskom Holdings and Others	600 000	600 000
Application for an Interdict against electricity interruption by Eskom under Part 1 and Part 2 seeks to impose a structural interdict against the municipality		
Case No. ECD 3633/18 - Ikamva Architects and Another vs EMLM	200 000	-
Application to compel the municipality to supply electricity on uninterrupted basis, among other relief sought.		
Case No. 583/19 - EMLM vs Mziwoxolo Dingani and Zandisie Nxano	100 000	-
Declaratory relief and / or review and cancellation of employment contracts.		
Mat 23033 - M Yelani vs EMLM	126 500	126 500
Motor vehicle collision claim July 2016.		
Mat PR 302/17 - T Matyalana vs EMLM	50 000	50 000
Application for reinstatement		
ECD 121721 - P Parker & Others vs EMLM	4 350 000	4 300 000
Application for reinstatement.		
MAT17787 - A Nuku vs Lukhanji Municipality & Others	100 000	-
Application for reinstatement		
MAT8082 - Lukhanji Municipality vs Tyaliti Family Trust Application to demolish	100 000	100 000

Notes to the Annual Financial Statements

41. Contingencies (continued)

	2021	2020
MAT27789 - Tynetix Trading (Pty) Ltd & Another	381 979	381 979
Claim for services rendered		
Penalty for non-compliance with National Environmental Management Act	625 000	625 000
Penalty is being contested		
Mat 25554 Gcobisa Matakane v EMLM	32 020	-
Default judgement against the municipality		
Duda v Enoch Mgijima Local Municipality	120 000	120 000
Interdict for the release of the impounded vehicle.		
Batalala Construction	5 446 487	5 446 487
Contractual dispute based on project costs incurred out of mandate		
Case No: 2989/19 - Lifetime Connections Man and Supply	12 008 066	11 708 066
Payment of alleged outstanding payment certificates and claims in the amount of R1 736 637.80 (Part A) and R9 969 427.92 (Part B).		
Sigenu/Mngese	-	100 000
Review of Presiding Officer’s ruling in the Labour Court for an inappropriate sanction, among others.		
Case No. 3687/19 - Lets Talk Komani	500 000	500 000
Application for dissolution of council		
MTH 2050/19 - T. Bukani & Another	50 000	50 000
Eviction with claim against Municipality		
Case No. 51/20 Enoch Mgijima Farmers Union v EMLM & Others	150 000	150 000
Application for supervisory structural interdict		
Case No. 1774/2020 Vuyani Shumi v EMLM	5 300 000	-
Application for payment of amount allegedly owed by municipality for unlawful occupation of Erf 1977 & 1979 Zone 1,Ezibeleni		
Case No. 162/21 Booi & Sons	48 000	-
Payment of amount allegedly owed by EMLM for services rendered and goods delivered (Lucerne) - Legal costs only.		
Case No: 131/2021 Maseti Professional Funeral Directors cc	158 142	-
Claim for damages to a building structure allegedly caused by some unknown municipal employees.		

Notes to the Annual Financial Statements

	2021	2020
41. Contingencies (continued)		
ECQTNRC 55/21 9Iger Trading (Pty) Ltd	550 000	-
Claim for payment for services rendered and goods delivered - Legal costs only		
Asanda Mbengo	300 000	-
Pending Labour Court - Statement of case		
Bukani & Bhebhe (High Court Matter)	150 000	-
High Court Application to be argued on 28 July 2021 after which the eviction application will be finalized.		
	40 246 113	**27 149 044**

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties

Accounting Officer	N C Zondani
Administrator	M Somana
Councillors	Refer to General Information page
Audit Committee	M K Mafani M Mbenenge Z MGaga T Mnqeta M Mthombeni
Members of key management	P Mahlasela - Chief Financial Officer D Van Wyk - Strategic Executive Officer S Nomandela - Director of Technical Services X Makeleni - Director of Corporate Services L Bolani - Director of Community Services T Malingatshoni - Director of Technical Services (Acting)

Related party transactions

Remuneration of management

Councillors and Mayoral committee members

2021

Name	Basic salary	Travel allowance	Telephone and data allowance	Pension, Medical and other contributions	Total
L E Gubula-Mqingwana (Mayor)	593 617	212 802	44 400	61 812	912 631
B G Van Heerden (Speaker)	471 685	170 241	44 400	52 656	738 982
N S Ndlebe (Chief Whip)	438 372	212 802	44 400	-	695 574
A N Hendricks (Public Safety Portfolio Head)	457 276	159 601	44 400	34 296	695 573
K M Sovendle (Human Settlement and LandPortfolio Head)	366 164	212 802	44 400	72 208	695 574
F S Sopapaza-Lungisa (SPU Portfolio Head)	412 420	159 601	44 400	79 152	695 573

Notes to the Annual Financial Statements

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42. Related parties (continued)

T Bunu (Corporate Services Portfolio Head)	441 202	159 601	44 400	50 370	695 573
S E Mvana (IPED Portfolio Head)	425 660	159 601	44 400	63 860	693 521
M Peter (Finance Portfolio Head)	381 192	212 802	44 400	57 180	695 574
Z N E Ralane (Community Services PortfolioHead)	441 202	159 601	44 400	50 370	695 573
M Bennet (MPAC Chairperson)	427 787	154 919	44 400	49 364	676 470
N Nqabisa (Technical Services Portfolio Head)	491 572	159 601	44 400	-	695 573
L N Haggard	180 359	67 344	44 400	27 060	319 163
L Amos	192 948	67 344	44 400	14 471	319 163
T P Blekiwe	180 359	67 344	44 400	27 060	319 163
A V Bokuva	165 335	67 344	44 400	42 084	319 163
D M Kabanie	176 873	67 344	44 400	30 546	319 163
M G Madikane	192 948	67 344	44 400	14 471	319 163
M Xipu Mgedezi	165 335	67 344	44 400	42 084	319 163
E N Tsotetsi	180 359	67 344	44 400	27 060	319 163
P Madubedube	192 948	67 344	44 400	14 471	319 163
L A Kepeyi	192 948	67 344	44 400	14 471	319 163
P P Z Mandile	190 139	67 344	44 400	17 280	319 163
T M Baleng	192 948	67 344	44 400	14 471	319 163
M Mangcotywa	192 948	67 344	44 400	14 471	319 163
B G Rani	180 359	67 344	44 400	27 060	319 163
B Ngesi	180 359	67 344	44 400	27 060	319 163
S C Gwampi	180 359	67 344	44 400	27 060	319 163
L L Ngculu	192 948	67 344	44 400	14 471	319 163
L M Koltana	175 779	67 344	44 400	31 640	319 163
U C Mlindazwe	180 359	67 344	44 400	27 060	319 163
N C Twalo	165 335	67 344	44 400	42 084	319 163
A Seyisi	207 419	67 344	44 400	-	319 163
Z S Tutwana	197 755	44 896	44 400	32 112	319 163
L C Rasimosi	165 335	67 344	44 400	42 084	319 163
O Adonisi	207 419	67 344	44 400	-	319 163
N J Qomoyi	165 335	67 344	44 400	42 084	319 163
X G Mkhubukeli Lufele	180 359	67 344	44 400	27 060	319 163
T G Yekani	175 779	67 344	44 400	31 640	319 163
A Tiwana	180 359	67 344	44 400	27 060	319 163
G Kibi	180 359	67 344	44 400	27 060	319 163
T V Mpolo	165 335	67 344	44 400	42 084	319 163

Notes to the Annual Financial Statements

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42. Related parties (continued)

M M Mbengo	180 359	67 344	44 400	27 060	319 163
M Ngesi	180 359	67 344	44 400	27 060	319 163
N Ngcefe	192 948	67 344	44 400	14 471	319 163
L Nondyola	207 419	67 344	44 400	-	319 163
M V Velaphi	207 419	67 344	44 400	-	319 163
A Batyi	207 419	67 344	44 400	-	319 163
Z S Ngondo	180 359	67 344	44 400	27 060	319 163
B M Mgoqi	165 335	67 344	44 400	42 084	319 163
D D Njozela	175 779	67 344	44 400	31 640	319 163
N C Matswele	165 335	67 344	44 400	42 084	319 163
S Mkhunqe	190 139	67 344	44 400	17 280	319 163
M S Hokolo	207 419	67 344	44 400	-	319 163
A Mhlontlo	213 081	61 682	44 400	-	319 163
A Ngonyama	192 948	67 344	44 400	14 471	319 163
C M Boast	207 419	67 344	44 400	-	319 163
M J Thole	180 359	67 344	44 400	27 060	319 163
N A Kopolo	169 357	56 120	37 000	17 535	280 012
B Mtini	180 359	67 344	44 400	27 060	319 163
Z N Njoli	180 359	67 344	44 400	27 060	319 163
L C S Tokwe	180 359	67 344	44 400	27 060	319 163
B C Simina	176 873	67 344	44 400	30 546	319 163
H A Deysel	196 565	67 344	44 400	10 853	319 162
S Miza	207 419	67 344	44 400	-	319 163
B Quqa	207 419	67 344	44 400	-	319 163
A A Ganca	133 761	39 284	25 900	-	198 945
M Bango	207 419	67 344	44 400	-	319 163
M Bula	28 775	5 612	3 700	-	38 087
	15 748 309	**5 843 456**	**2 997 000**	**1 749 271**	**26 338 036**

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties (continued)

2020

Name	Basic salary	Travel allowance	Telephone and Data Allowances	Pension, Medical and other contributions	Total
L E Gubula-Mqingwana (Mayor)	609 859	209 792	44 400	72 087	936 138
B Van Heerden (Speaker)	485 239	165 695	44 400	46 624	741 958
N S Ndlebe (Chief Whip)	444 053	207 120	44 400	6 367	701 940
A N Hendrieks (Public Safety Portfolio Head)	462 453	155 340	44 400	39 184	701 377
K M Sovendle (Human Settlement and Land Portfolio Head)	373 365	207 120	44 400	76 032	700 917
F S Sopapaza-Lungisa (SPU Portfolio Head)	418 396	155 340	44 400	82 755	700 891
T Bunu (Corporate Services Portfolio Head)	446 379	155 660	44 400	55 283	701 722
S E Mvana (Technical Services Portfolio Head)	443 487	155 340	44 400	69 270	712 497
M Peter (Finance Portfolio Head & IPED Portfolio Head)	388 394	209 721	44 400	60 985	703 500
Z N E Ralane (Community Services PortfolioHead)	446 379	155 340	44 400	55 283	701 402
M Bennet (MPAC Chairperson)	432 812	150 783	44 400	54 145	682 140
N Nqabisa (Technical Services Portfolio Head)	400 220	125 483	44 400	5 313	575 416
L N Haggard	182 883	65 546	44 400	31 254	324 083
L Amos	195 132	65 546	44 400	16 791	321 869
T P Blekiwe	182 883	65 546	44 400	28 816	321 645
A V Bokuva	167 855	65 546	44 400	43 888	321 689
D M Kabanie	179 058	65 546	44 400	32 889	321 893
M G Madikane	195 132	65 546	44 400	16 791	321 869
M Xipu Mgedezi	167 853	65 546	44 400	43 890	321 689
E N Tsotetsi	182 883	65 546	44 400	28 816	321 645
P Madubedube	195 454	65 546	44 400	16 475	321 875
L A Kepeyi	195 132	65 546	44 400	16 791	321 869
P P Z Mandile	191 937	65 546	44 400	20 267	322 150
X P Mbasana	145 925	54 485	37 000	23 954	261 364
T M Baleng	195 132	65 546	44 400	16 791	321 869
M Mangcotywa	195 377	65 546	44 400	16 549	321 872
B G Rani	182 883	65 546	44 400	28 816	321 645
B Ngesi	182 883	65 546	44 400	28 816	321 645

Notes to the Annual Financial Statements

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42. Related parties (continued)

S C Gwampi	182 883	65 546	44 400	28 817	321 646
N W Duna	22 326	5 449	3 700	3 443	34 918
L L Ngculu	195 132	65 546	44 400	16 791	321 869
L M Koltana	178 421	65 546	44 400	33 321	321 688
U C Mlindazwe	182 883	65 546	44 400	28 816	321 645
N C Twalo	167 852	65 546	44 400	43 890	321 688
A Seyisi	209 217	65 546	44 400	2 987	322 150
Z S Tutwana	179 058	65 546	44 400	32 889	321 893
L C Rasimosi	167 853	65 546	44 400	43 890	321 689
O Adonisi	209 217	65 546	44 400	2 987	322 150
N J Qomoyi	167 852	65 546	44 400	43 890	321 688
X G Mkhubukeli Lufele	182 882	66 979	44 400	28 831	323 092
J C De Wet	(14 592)	(5 449)	(3 700)	(2 395)	(26 136)
T G Yekani	178 421	65 546	44 400	33 347	321 714
A Tiwana	182 883	65 546	44 400	28 816	321 645
G Kibi	182 883	65 546	44 400	28 816	321 645
T V Mpolo	167 855	65 546	44 400	43 888	321 689
M M Mbengo	182 883	65 546	44 400	28 816	321 645
M Ngesi	182 883	65 546	44 400	28 816	321 645
N Ngcefe	185 542	65 546	44 400	16 695	312 183
L Nondyola	209 217	65 546	44 400	2 987	322 150
M V Velaphi	209 217	65 546	44 400	2 987	322 150
A Batyi	209 217	65 546	44 400	2 987	322 150
Z S Ngondo	182 883	65 546	44 400	28 816	321 645
B M Mgoqi	167 851	65 546	44 400	43 891	321 688
D D Njozela	178 421	65 546	44 400	33 321	321 688
N C Matswele	167 852	65 546	44 400	43 890	321 688
M Xhelisilo	29 876	10 897	7 400	5 475	53 648
S Mkhunqe	193 377	65 546	44 400	18 827	322 150
M S Hokolo	209 217	65 546	44 400	2 987	322 150
A Mhlontlo	213 081	61 681	44 400	2 777	321 939
A Ngonyama	195 132	65 546	44 400	16 791	321 869
C M Boast	209 217	65 546	44 400	2 987	322 150
M J Thole	182 883	65 546	44 400	28 816	321 645
N A Kopolo	167 852	65 546	44 400	43 890	321 688
C M Botha	67 126	21 794	14 800	994	104 714

42. Related parties (continued)

B Mtini	182 883	65 546	44 400	28 816	321 645
Z N Njoli	182 883	65 546	44 400	28 816	321 645
L C S Tokwe	182 883	65 546	44 400	28 816	321 645
B C Simina	194 062	63 613	44 078	17 936	319 689
H A Deysel	184 494	54 649	37 000	2 589	278 732
S Miza	159 935	43 752	29 600	2 193	235 480
B Quqa	136 213	42 749	28 919	1 948	209 829
M Bango	127 838	40 134	27 143	1 829	196 944
	15 727 382	**5 659 675**	**2 978 740**	**1 947 639**	**26 313 436**

Executive management

2021

Name	Basic salary	Housing allowance	Bonuses	Leave payout	Acting allowance	Travel allowance	Remote allowance	Pension, Medical and Other Contributions	Total
Municipal Manager	1 302 430	-	-	-	-	-	61 552	248 919	1 612 901
Strategic Executive Officer	1 107 018	-	100 000	-	-	-	50 311	72 357	1 329 686
Chief Financial Officer	209 332	-	-	50 316	-	-	8 386	2 998	271 032
Director of Technical Services	396 612	-	-	176 105	-	37 500	20 965	96 069	727 251
Director of Corporate Services	1 064 375	-	-	-	-	12 231	50 316	225 848	1 352 770
Director of Community Services	989 778	-	-	-	-	50 000	50 316	228 407	1 318 501
Chief Financial Officer	274 736	-	-	-	-	50 000	14 994	53 167	392 897
Acting Chief Financial Officer	738 942	11 574	61 579	-	9 477	150 000	-	203 672	1 175 244
Acting Director of Technical Services	569 274	-	47 440	-	108 313	150 000	-	164 064	1 039 091
	6 652 497	**11 574**	**209 019**	**226 421**	**117 790**	**449 731**	**256 840**	**1 295 501**	**9 219 373**

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties (continued)

2020

Name	Basic salary	Housing allowance	Bonuses	Leave payout	Backpay	Acting allowance	Travel allowance	Remote allowance	Pension, Medical and Other Contributions	Total
Municipal Manager	1 061 704	-	-	-	29 060	-	-	50 176	208 386	1 349 326
Strategic Executive Officer	641 501	-	100 000	-	14 847	-	-	28 779	35 116	820 243
Chief Financial Officer	710 647	-	-	195 843	-	25 068	4 033	27 089	10 732	973 412
Director of Technical Services	1 002 758	-	-	-	34 686	-	5 071	47 084	240 299	1 329 898
Director of Corporate Services	597 383	-	-	-	14 847	-	6 277	28 780	143 202	790 489
Acting Director of Corporate Services	289 780	4 539	33 808	243 534	-	63 399	73 842	-	88 485	797 387
Director of Community Services	590 596	-	-	-	14 847	-	-	28 780	137 585	771 808
Acting Director of Community Services	228 603	-	19 050	83 151	-	126 828	62 500	-	61 311	581 443
Chief Financial Officer	412 956	-	-	-	5 939	-	-	16 544	4 987	440 426
Acting Chief Financial Officer	695 472	10 893	57 956	-	-	6 298	158 127	-	192 027	1 120 773
Acting Director of Technical Services	267 894	-	-	-	-	68 101	75 000	-	78 183	489 178
	6 499 294	**15 432**	**210 814**	**522 528**	**114 226**	**289 694**	**384 850**	**227 232**	**1 200 313**	**9 464 383**

*Refer to note 27 "Employee related costs" for further information.

Notes to the Annual Financial Statements

Figures in Rand

42. Related parties (continued)
Audit Committee Fees

2021

Member	Fees	Travel	Other	Total
M K Mafani	23 328	-	12 636	35 964
M Mbenenge	23 328	-	12 636	35 964
Z Mgaga	23 328	-	12 636	35 964
T Mnqeta	83 770	-	18 864	102 634
M Mthombeni	23 328	-	12 636	35 964
	177 082	**-**	**69 408**	**246 490**

2020

Member	Fees	Travel	Other	Total
M K Mafani	11 664	3 301	6 318	21 283
M Mbenenge	15 552	9 061	11 178	35 791
Z Mgaga	11 664	3 155	12 636	27 455
T Mnqeta	62 760	9 811	8 748	81 319
M Mthombeni	15 552	3 929	11 178	30 659
	117 192	**29 257**	**50 058**	**196 507**

	2021	2020

43. Prior period errors

The correction of the errors results in adjustments as follows:

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Receivables from Exchange Transactions	92 544 333	275 669	92 820 002	1
Receivables from Non-exchange Transactions	77 560 416	(30 551 621)	47 008 795	2
Cash and Cash Equivalents	58 784 200	(503 993)	58 280 207	3
Biological assets	4 586 500	630 000	5 216 500	4
Property, plant and Equipment	1 143 844 992	(44 067 403)	1 099 777 589	5
Payables from exchange transactions	(505 289 149)	18 713 525	(486 575 624)	6
VAT payable	(10 548 782)	(800 567)	(11 349 349)	7
Bank overdraft	(13 913 478)	275 152	(13 638 326)	8
Unspent conditional grants and receipts	(56 555 719)	11 680 469	(44 875 250)	9
Accumulated surplus	(992 620 254)	44 348 769	(948 271 484)	10
	(201 606 941)	**-**	**(201 606 940)**	

1 - Receivables from Exchange transactions - Statement of Financial Position	
Previously reported 2020 balance	92 544 333
Billing corrections	(387 058)
Billing correction - incorrect electricity tariff used - 2019	202 226
Billing correction - incorrect electricity tariff used - 2020	615 079
Prepaid electricity - Amounts collected by vendor - 2019	1 645 491
Prepaid electricity - Amounts collected by vendor - 2020	4 020 684
Reversal of interest on rates for municipal debtors - 2019	(2 998 089)
Reversal of interest on rates for municipal debtors - 2020	(1 772 664)
Reversal of Sundry debtor for Biological assets	(1 050 000)
Restated 2020 Closing balance	**92 820 002**

2 - Receivables from Non-exchange transactions - Statement of Financial Position	
Previously reported 2020 balance	77 560 416
Billing corrections on individual debtor accounts	2 798 116
Reversal of rates billing to municipal debtors - 2020	(2 153 456)
Reversal of rates billing to municipal debtors - 2019	(31 196 281)
Restated 2020 Closing balance	**47 008 795**

3 - Cash and Cash Equivalents - Statement of Financial Position	
Previously reported 2020 balance	58 784 200
Correcting balances of bank accounts taken on during merger	(503 993)
Restated 2020 Closing balance	**58 280 207**

4- Biologial assets - Statement of Financial Position	
Previously reported 2020 balance	4 586 500
Recognising buffalo	630 000
Restated 2020 Closing Balance	**5 216 500**

5- Property, plant and Equipment - Statement of Financial Position	
Previously reported 2020 balance	1 143 844 992
Reinstating WIP impairment	(44 153 723)
Recording asset in correct period - 2020	2 910 598
Correction of amount capitalised duplicated on asset - 2019	(332 661)
Correcting classification of asset - 2019	(10 188)
Reversing depreciation for assets under the threshold - 2020	214 605

	2021	2020
43. Prior period errors (continued)		
Derecognition of assets under the threshold - 2019		(2 696 034)
Restated 2020 Closing Balance		**1 099 777 589**
6 - Payables from exchange transactions - Statement of Financial Position		
Previously reported 2020 balance		(505 289 149)
Reversal of SDL		42 920
Correction of prior year accruals		(2 239 517)
Correction of prior year retentions - 2019		2 419 903
Reallocation of employee costs out of salary error control		3 953 500
Clearing and correcting balances of payroll control		(2 113 283)
Reclassification of payroll control votes		1 652 858
Raising additional creditors identified		(322 750)
Correction of creditor balance - Eskom		15 000 004
Retention adjustments - 2020		(618 115)
Retention adjustments - 2019		938 005
Restated 2020 Closing Balance		**(486 575 624)**
7 - VAT payable - Statement of Financial Position		
Previously reported 2020 balance		(10 548 782)
Adjustments to accruals		(665 411)
VAT on Billing correction - incorrect electricity tariff used - 2019		(26 377)
VAT on Billing correction - incorrect electricity tariff used - 2020		(80 228)
Prepaid electricity - Amounts collected by vendor - 2019		(212 977)
Prepaid electricity - Amounts collected by vendor - 2020		(524 337)
Corrections and adjustments to the accruals listing		241 308
Retention fee correction		467 455
Restated 2020 Closing Balance		**(11 349 349)**
8 - Bank overdraft - Statement of Financial Position		
Previously reported 2020 balance		(13 913 478)
Reversal of prior year journal		63 063
Correcting balances of bank accounts taken on during merger		931 294
Correcting carried forward difference		(719 205)
Restated 2020 Closing Balance		**(13 638 326)**
9 - Unspent conditional grants and receipts - Statement of Financial Position		
Previously reported 2020 balance		(56 555 719)
Correcting revenue recognition for Department of Transport grant		8 784 097
Reversal of prior year journals adjusting grant revenue recognised on INEG		(167 502)
Reversal of prior year journals adjusting grant revenue recognised on MIG		153 276
Recognising MIG revenue in correct period - 2020		2 910 598
Restated 2020 Closing balance		**(44 875 250)**
10 - Accumulated Surplus - Statement of Financial Position		
Previously reported 2020 Opening balance		(1 456 925 041)
Effect of opening balance corrections relating to -		17 715 137
Correcting balances of bank accounts taken on during merger		263 105
Reversing prior year adjustment correcting the revenue recognised on grants		14 225
Correction of retention fees		(2 419 903)

	2021	2020

43. Prior period errors (continued)

Clearing and correcting balances of payroll control votes	175 075
Billing correction for incorrect tariff	(175 849)
Raising receivable for Prepaid electricity	(1 432 515)
Adjusting VAT on Microsoft accrual	(54 735)
Adjusting Eskom accrual	(15 000 004)
Recognising buffalo as Biological asset and reversing Receivable	420 000
Derecognition of assets under the threshold	2 696 036
Adjustments to retention fees	(1 307 518)
Correcting depreciation on misclassified asset	10 189
Reversing rates billed to municipal debtors	31 196 280
Reversing interest on rates billed to municipal debtors	2 998 090
Reversing duplicated amount capitalised	332 661
	(1 439 209 904)
	-
RESTATED 2018/19 (Surplus)/Deficit	496 422 950
Reported 2019/20 (Surplus)/Deficit	447 692 978
Net changes to Statement of Financial performance	32 118 164
Fair value / Deemed cost adjustments recognised directly in net assets	16 611 808
RESTATED 2019/20 CLOSING BALANCE	**(942 786 954)**

2020 Comparative restatements

Statement of Financial Performance	Previously reported	Adjustment	As restated	Reference
REVENUE				
Service charges	302 491 627	3 693 908	306 185 535	i
Interest received on debtors	55 670 126	(1 772 663)	53 897 463	ii
Income from agency services	3 549 436	215 851	3 765 287	iii
Licences and permits	3 146 941	(215 851)	2 931 090	iv
Property rates	114 234 835	981 952	115 216 787	v
Government grants and subsidies	226 881 579	11 695 093	238 576 672	vi
EXPENDITURE				
Employee related costs	(318 838 546)	(9 275)	(318 847 821)	vii
Depreciation and amortisation	(56 637 420)	214 605	(56 422 815)	viii
Finance costs	(24 986 393)	(775 063)	(25 761 456)	ix
Repairs and maintenance	(5 607 216)	2 390 426	(3 216 790)	x
Contracted services	(27 264 375)	(295 922)	(27 560 297)	xi
Transfers and Subsidies	(4 452 104)	(162 500)	(4 614 604)	xii
General expenses	(56 133 624)	1 559 530	(54 574 094)	viii
Impairments	(259 769 084)	(44 153 724)	(303 922 808)	ix
	(47 714 218)	**(26 633 633)**	**(74 347 851)**	

i) Service charges

	2021	2020

43. Prior period errors (continued)

As previously reported		302 491 627
Billing corrections on individual debtors		(337 291)
Billing correct due to incorrect tariff		534 852
Recording prepaid electricity sales		3 496 347
		306 185 535

ii) Interest on debtors - Statement of Financial Performance

As previously reported		55 670 126
Reversing interest on rates billed to municipal debtors		(1 772 663)
		53 897 463

iii) Income from agency services - Statement of Financial Performance

As previously reported		3 549 436
Reclassification of income vote		215 851
		3 765 287

iv) Licences and permits - Statement of Financial Performance

As previously reported		3 146 941
Reclassification of income vote		(215 851)
		2 931 090
		-

v) Property Rates - Statement of Financial Performance

As previously reported		114 234 835
Billing corrections on individual debtors		3 135 408
Reversing rates billed to municipal debtors		(2 153 456)
		115 216 787

vi) Government grants and subsidies - Statement of Financial Performance

As previously reported		226 881 579
Correction of revenue recognised for grants		8 784 496
Recognising MIG revenue in correct period		2 910 597
		238 576 672

vii) Employee Costs - Statement of Financial Performance

As previously reported		(318 838 546)
Clearing and correcting of payrol control votes - 2020		(105 537)
Clearing and correcting of payrol control votes - 2019		96 262
		(318 847 821)

viii) Depreciation and amortisation - Statement of Financial Performance

As previously reported		(56 637 420)
Adjusting depreciation for assets under the threshold		214 605
		(56 422 815)

ix) Finance costs - Statement of Financial Performance

As previously reported		(24 986 393)
Interest and penalties on payroll taxes		(775 063)

Notes to the Annual Financial Statements

	2021	2020

43. Prior period errors (continued)

		(25 761 456)

x) Repairs and maintenance - Statement of Financial Performance

As previously reported		(5 607 216)
Recording asset in correct period		2 910 598
Adjustment for correction of retention fees		(520 172)
		(3 216 790)

xi) Contracted services - Statement of Financial Performance

As previously reported		(27 264 375)
Raising of additional accruals identified		(322 245)
Adjustment for correction of cut-off		(139 348)
Adjustment for correction of VAT		165 671
		(27 560 297)

xii) Transfers and subsidies - Statement of Financial Performance

As previously reported		(4 452 104)
Adjustment to correct cut-off error		(162 500)
		(4 614 604)

Notes to the Annual Financial Statements

	2021	2020

43. **Prior period errors (continued)**

viii) General expenses - Statement of Financial Performance

As previously reported		(56 133 624)
Correcting classification of expenditure		1 752 102
Raising accruals for amounts paid in current year that relate to prior year		(41 603)
Additional accruals identified		(150 969)
		(54 574 094)

ix) Impairment losses

As previously reported		(259 769 084)
Reinstatement of impairment on WIP		(44 153 724)
		(303 922 808)

The following disclosures have been restated:

Irregular expenditure

Previous Disclosure

Opening balance		518 855 226
Add: Irregular Expenditure - current year		29 558 312
Less: Amounts written off by Council		(495 798 359)
		52 615 179

Adjustment

Additional irregular expenditure identified - Current year		3 853 763
Adjustment for prior years irregular expenditure recorded in 2019/20 - Opening balance	-	3 241 588
Adjustment for prior years irregular expenditure recorded in 2019/20 - Current year	-	(3 241 588)
Adjustment for amounts accrued on irregular contracts - Current year	-	895 998
Adjustment for irregular expenditure due to overspending on contract - Opening balance	-	305 341

New disclosure

Opening balance		522 402 155
Add: Irregular Expenditure - current year		31 112 191
Less: Irregular expenditure approved by Council for write off		(495 798 359)
		57 715 987

The irregular expenditure was adjusted to take into account the additional irregular expenditure identified by the auditors.

Commitments

Previous disclosure

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment		77 606 984

Adjustments

Variation orders and additional costs approved by Council		219 732 659

Notes to the Annual Financial Statements

	2021	2020

43. Prior period errors (continued)

Restated disclosure

Authorised capital expenditure

Already contracted for but not provided for		
Property, plant and equipment		297 339 643

The Commitments balance was adjusted to include variation orders and approved additional costs that were approved by Council on 30 August 2019 and additional expenditure identified during the audit.

Contingencies

Previous disclosure

Contingent liabilities		26 714 044

Adjustments

New matters added		
Case No. 51/20 Enoch Mgijima Farmers Union v EMLM & Others		150 000
Matter values adjusted		
Matter 8092 Qtn Mag Crt - A Motile v Lukhanji Municipality		10 000
Mat 17611 Qtn Mag Crt - Luyolo Siyongwana v Lukhanji Municipality		30 000
Case No. 04/2018 - Tian Schoeman v Enoch Mgijima and Nozibele Makanda		10 000
Mat 9476 Qtn Mag Crt - Lukhanji Municipality vs. Malongwe KS		100 000
Mat 23154 - Zepe & Company vs Lukhanji Municipality		20 000
MAT8082 - Lukhanji Municipality vs Tyaliti Family Trust		100 000
Case No. 686/2019 - EMLM vs S Dayi		(60 000)
Penalty for non-compliance with National Environmental Management Act		125 000
		485 000

New disclosure

Contingent liabilities		27 199 044

Additional contingent liabilties identified during the audit were added and the value of some contingent liabilities were adjusted.

	2021	2020

43. Prior period errors (continued)

Unauthorised expenditure

		-
Previous disclosure		
Opening balance		682 142 025
Add: Unauthorised expenditure - current year		480 521 371
Less: Amounts written off by Council		(590 186 120)
		572 477 276

New disclosure		-
Opening balance		682 142 025
Add: Unauthorised expenditure - current year		219 745 761
Less: Amounts written off by Council		(590 186 120)
		311 701 666

. The Unauthorised expenditure for 2019/20 changed as a result of adjustments to expenditure.

Fruitless and wasteful expenditure

Previous disclosure		
Opening balance		10 672 853
Add: Fruitless and wasteful expenditure - current year		4 110 474
Less: Amount written off by Council		(10 672 853)
		4 110 474

Adjustment		
Additional fruitless and wasteful expenditure identified during the audit		4 779
Addition of amounts accrued - Opening balance		527 099
Adjustment for WIP impairment - 2020		44 153 725
Addition of amounts accrued - 2020		21 650 982
		66 336 585

New disclosure		
Opening balance		11 199 952
Add: Fruitless and wasteful expenditure - current year		69 919 960
Less: Amount written off by Council		(10 672 853)
		70 447 059

Additional fruitless and wasteful expenditure identified during the audit.

43. Prior period errors (continued)

Cash flow statement

Cash flow from operating activities			
Receipts			
Rates and Services	263 631 250	2 540 619	266 171 869
Government grants and subsidies	275 180 222	399	275 180 621
Interest income	57 363 757	(1 772 663)	55 591 094
Payments			
Employee costs	(344 979 060)	(9 275)	(344 988 335)
Suppliers	(154 373 996)	2 960 879	(151 413 117)
Finance costs	(24 986 393)	(775 063)	(25 761 456)
	71 835 780	**2 944 896**	**74 780 676**
Cash flow from investing activities			
Purchase of property, plant and equipment	(41 862 209)	(2 910 598)	(44 772 807)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	11 567 910	(263 105)	11 304 805

The cash flow restatement above details the movements between the previously reported Cash Flow Statement and the restated 2019/20 comparative figures. The reason for the adjustments are due to the individual errors as detailed in note 43 .

44. Risk management

Financial risk management

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

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

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

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements.

44. Risk management (continued)

Liquidity risk

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

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

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	637 605 797	-	-	-
Consumer deposits	10 474 452	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	486 575 624	-	-	-
Consumer deposits	10 239 855	-	-	-

Credit risk

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

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

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank.

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

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial assets in Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

44. Risk management (continued)

The maximum credit risk exposure in respect of the relevant financial instruments at year end were as follows:

Financial instrument	**2021**	**2020**
Receivables from exchange transactions	77 542 898	92 820 002
Receivables from non-exchange transactions	28 493 736	47 008 795
Cash and cash equivalents - Bank balances	37 461 226	707 225
Cash and cash equivalents - Short-term deposits	33 501 510	57 532 900
Other financial assets	137 162	403 838

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest charges. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas.Consumer debtors are presented net of a provision for impairment.

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

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

45. Going concern

The Enoch Mgijima Local Municipality’s Annual Financial Statements are prepared on a going concern basis despite the presence of some material uncertainties in the short term. Management’s assumption is that the municipality will continue to exist as a going concern and to exist in the foreseeable future unless de – established or merged into a new entity by the Municipal Demarcation Board.

The municipality is aware of the following financial challenges which threaten its financial viability and as a going concern:

- Operating at a deficit as reported in the Financial Performance at year end

- The municipality’s inability to pay its major creditors over the past 12 months

- Longer debtors payment period

- Increase in Eskom debt, and

- The growing debtors figures and increase in debt impairment that has to be written off at year end

The municipality received confirmation from National Treasury that the equitable share will be paid to the municipality. Portion of the equitable share will be used to pay for the Eskom debt. The municipality’s smart meter project will has begun. The meter audit has been done and smart meters are being on large power users. A significant increase in electricity sales is anticipated. This will enable the municipality to pay its creditors as they fall due and also report surplus at year end from 2022.

	2021	2020

45. Going concern (continued)

As part of the turnaround strategy of the municipality, the municipality is currently implementing a financial recovery programme that entails implementing set of activities that will improve the financial viability of the municipality. Cost containment measures as contained in MFMA circular 68 are currently being implemented with the aim of curbing expenditure on non – essential procurement

The municipality envisages returning to full financial viability in 2022/23, as detailed in the financial plan presented to council and submitted to National Treasury.

46. Events after the reporting date

There is a pending case between the municipalities and let's talk Komani - a civil group; in relation to service delivery issues and in particular on payment of Eskom accounts.

At one stage, the court issued an order for the municipality's assets to be attached. The case is with the municipality's lawyers for which the outcome at this stage is not known. The municipality can expect a worst case scenario where the municipality's assets value may decrease if the judgement goes against the municipality.

On the 12 August 2021 there was fire at the traffic building that is attached to Budget and Treasury. It is not know yet what started the fire and the value of damage caused.

The MPAC office court fire on the 21 May 2021 but it was found by fire department fast, and the fire was extinguished the damage caused was temporal and insignificant. Again, on the 23 July 2021 Another fire statred which destroyed the building and the damage was temporary but significant. The damage value is not known yet until a full assessment has been done. The municipality is insured against fire for buildings.

47. Unauthorised expenditure

Unauthorised expenditure	311 701 666	682 142 025
Add: Unauthorised expenditure - current year	189 203 120	219 745 761
Less: Amounts written off by Council	(480 521 371)	(590 186 120)
	20 383 415	**311 701 666**

The unauthorised expenditure balances taken on on 6 August 2016 were investigated by MPAC and written off by Council in 2019/20.

The unauthorised expenditure for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 were investigated and written off by Council 2019/20. The unauthorised expenditure for the years ended 30 June 2020 and 30 June 2021 are still under investigation. The need for disciplinary action or criminal proceedings is still to be determined.

48. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	81 647 011	11 199 952
Add: Fruitless and wasteful expenditure - current year	49 162 127	81 119 912
Less: Amount written off by Council	(4 115 253)	(10 672 853)
	126 693 885	**81 647 011**

The fruitless and wasteful expenditure balances taken on on 6 August 2016 were investigated by MPAC and written off by Council in 2019/20.

The fruitless and wasteful expenditure for the years ended 30 June 2017, 30 June 2018, 30 June 2019 and 30 June 2020 have been investigated and written off by Council in 2019/20. The Fruitless and wasteful expenditure incurred in the year ended 30 June 2021 is still under investigation.

Notes to the Annual Financial Statements

	2021	2020

49. Irregular expenditure

	2021	2020
Opening balance	57 715 987	522 402 155
Add: Irregular Expenditure - current year	47 549 593	31 112 191
Less: Amounts written off by Council - prior period	(50 729 620)	(495 798 359)
	54 535 960	**57 715 987**

The irregular expenditure balances taken on on 6 August 2016 were investigated by MPAC and then written off by Council in 2019/20.

The irregular expenditure for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 have been investigated and written off by Council in 2019/20. The remaining balance was referred to MPAC for further investigation.

The irregular expenditure for the 2019/2020 financial year and prior year audit findings of R50 729 620 were investigated and approved for write off by council.

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Supply Chain Management Regulation and / or Policy deviations	Items have been referred to MPAC for investigation and the need for criminal procedings to be determined	40 955 168

50. Accounting by principals and agents

The municipality is party to several principal-agent arrangements.

The municipality (agent) collects vehicle licencing fees on behalf of the Department of Transport (principal) in exchange for the service the municipality receives commission of 9% on all fees collected.

Brandrive Trading (Pty) Ltd (the agent) recovers longoutstanding unpaid rates and taxes from various departments on behalf of the Municipality (principal) in return for commission of 25% on all amounts received.

The ECDC Special Projects Unit is performing the Project Management Function on one of the Municipality's capital projects: Maintenance and Upgrade of Ebden Station for total project management fees of R990 488. Payments are made in advance by way of tranche payments based on the cash flow projections submitted with the budget draw letter by ECDC. Two tranches to the total value of R8 055 652 have been paid to date.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R5 102 777 (2020: R3 765 287).

Liabilities and corresponding rights of reimbursement recognised as assets

At year end the Municipality had paid over all funds collected on behalf of the Department of Transport.

Entity as principal

Fee paid

	2021	2020
Fee paid as compensation to Brandrive (Pty) Ltd	3 452 216	-
Fee paid as compensation to ECDC	548 772	-

All unpaid rates and taxes recovered by Brandrive (Pty) Ltd are paid directly to the Municipality by the relevant debtors therefore they do not hold any funds on behalf of the Municipality.

	2021	2020

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	8 808 076	6 915 768
Current year subscription / fee	3 560 544	2 892 308
Amount paid - current year	(1 000 000)	(1 000 000)
	11 368 620	**8 808 076**

Audit fees

Opening balance	2 772 491	3 569 696
Current year subscription / fee	6 760 088	6 367 445
Amount paid - current year	(8 540 721)	(7 164 650)
	991 858	**2 772 491**

PAYE

Opening balance	9 277 663	-
Current year subscription / fee	41 987 555	42 373 664
Amount paid - current year	(51 265 218)	(33 096 001)
	-	**9 277 663**

UIF

Opening balance	543 965	-
Current year subscription / fee	3 332 416	3 301 188
Amount paid - current year	(3 876 381)	(2 757 223)
	-	**543 965**

Pension fund contributions

Opening balance	4 551 682	-
Current year subscription / fee	56 547 529	53 472 590
Amount paid - current year	(61 099 211)	(48 920 908)
	-	**4 551 682**

Medical aid contributions

Current year subscription / fee	30 277 194	28 678 880
Amount paid - current year	(30 277 194)	(28 678 880)
	-	-

VAT

VAT payable	2 923 702	11 349 349

Several VAT returns were not submitted by the due date throughout the year and interest and penalties were incurred as a result.

	2021	2020

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding more than 90 days	Total
L. Nondyola	2 940	2 940
M.S. Hoko	7 229	7 229
B.G. Rani	1 392	1 392
E.N. Tsotetsi	6 885	6 885
L. Ngculu	204	204
M. Mbengo	2 621	2 621
A. Seyisi	2 271	2 271
B.M. Mgoqi	1 981	1 981
A.V. Bokuva	3 091	3 091
L. Rasimosi	7 645	7 645
Z.N.E. Ralane	925	925
	37 184	**37 184**

30 June 2020	Outstanding more than 90 days	Total
L. Nondyola	3 688	3 688
M. S. Hoko	4 698	4 698
B. G. Rani	421	421
E. N. Tsotetsi	2 747	2 747
X. P. Mbasana	137	137
M. Mbengo	8 152	8 152
A. Seyisi	301	301
B. M. Mgoqi	262	262
A. V. Bokuva	3 545	3 545
L. Rasimosi	2 648	2 648
Z. N. E. Ralane	167	167
M. Ngesi	309	309
	27 075	**27 075**

	2021	2020

52. Deviation from supply chain management regulations

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

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

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer. The reasons for the deviations were as follows:

Reason for deviation	
Emergency	1 771 712
Sole supplier	1 199 631
Impractical / impossible to obtain three quotes	1 496 128
	4 467 471

Awards to family of persons in service of state

Name of person	**Position**	**Name of family member**	**Relationship**	**Supplier name**	**Value of Award**
	Nelson Mandela Bay Metropolitan Municipality		Spouse	Gilgal Development Consulting Engineers	476 628

53. Budget differences

Material differences between budget and actual amounts

The actual expenditure for the following expenses exceeded the final budget by 10%:

53.1 Service charges

The decrease in service charges from electricity was due to a reduction in electricity usage by large power users as a result of the COVID - 19 pandemic.

53.2 Income from agency fees

Income from agency has a positive variance because of the more agency collections in the 1st half of the 2020/21. Because of the COVID restrictions in the last quarter of 2019/20, the offices were closed and were only opened in July 2021 for business

53.3 Licences and permits

The negative variance in the revenue for Licences was due licences renewed elsewhere in other municipalities in the district

53.4 Interest received on investments

The interest received on Investment has a positive variance because of more funds kept in the municipality's call account that yielded more interest than expected. The municipality transfers surplus cash to its call account to get more interest income from its call account.

	2021	2020

53. Budget differences (continued)

53.5 Public contributions and donations

Public donations were not anticipated and was therefore not budgeted. The amount reflected in the AFS was not anticipated.

53.6 Finance costs

Finance Costs has a negative variance because of the more than expected accrued interest on Eskom debts in the 2020/21 financial year.

53.7 Debt impairment

Debt impairment has a negative variance because of the growth in the municipality's debt which signify that customers were not paying their accounts and the municipality have to increase its impairment than previously thought

53.8 Bulk purchases

Bulk Purchases shows over expenditure because of the higher invoices received from Eskom during the year than it was anticipated.

53.9 Transfers and subsidies

Transfers and Subsidies were under spent because of the COVID - 19 pandemic, not all indigents that qualify for free basic services were paid.

53.10 General expenses

General expenses has a negative variance because of some unexpected payment because of some unexpected payment arrangement that was paid in the years. These expenditures were not expected.

53.11 Gains on the disposal of assets

The negative variance on the Gains on the disposal of Assets was due to the Land sale that did not take place in the 2020/21. The land sale has now been budgeted in the 2021/22 financial year.

53.12 Actuarial gains / losses

Actuarial gains/ losses was not budgeted as it was not anticipated.

53.13 Gains on biological assets

Gains on the biological assets were not anticipated and therefore were not budgeted for

53.14 Transfers recognised - Capital

Transfers recognised - Capital: The positive variance was due to the Department of Transport transferring more funds than was anticipated for in the 2020/21. The department budgeted to transfer R17.0 million for the 2020/21 but ended up transferring excess of 9.4 million due to their 2021/22 starting earlier in April.

54. Segment information

General information

54. (continued)

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: electricity and refuse removal services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Segment surplus or deficit, assets and liabilities

2021

	Electricity	Refuse	Total
Revenue			
Revenue from non-exchange transactions	21 562 037	702 644	22 264 681
Revenue from exchange transactions	220 177 675	70 919 044	291 096 719
Total segment revenue	**241 739 712**	**71 621 688**	**313 361 400**
Interest received on investments			2 842 071
Income from agency services			5 102 777
Government grants and subsidies			323 891 212
Other unallocated revenue			195 676 797
Total revenue reconciling items			**527 512 857**
Entity's revenue			**840 874 257**
Expenditure			
Employee related costs	(28 138 370)	(42 546 789)	(70 685 159)
Depreciation and amortisation	(8 168 962)	-	(8 168 962)
General expenses	(4 062 004)	(1 811 162)	(5 873 166)
Bulk purchases	(277 911 740)	-	(277 911 740)
Repairs and maintenance	(1 499 347)	(887 405)	(2 386 752)
Total segment expenditure	**(319 780 423)**	**(45 245 356)**	**(365 025 779)**
Total segmental surplus/(deficit)			**(51 664 379)**
Remuneration of councillors			(25 467 864)
Finance costs			(26 934 592)
Transfers and subsidies			(1 175 335)
Debt impairment			(130 704 123)
Other unallocated expenses			(364 947 935)
Total revenue reconciling items			527 512 857
Entity's surplus (deficit) for the period			**(73 381 371)**
Assets			
Segment assets	199 741 806	806 510	200 548 316
Unallocated assets			1 486 290 738
Total assets as per Statement of financial Position			**1 686 839 054**
Liabilities			
Segment liabilities	212 502 857	-	212 502 857
Unallocated liabilities			585 247 983

54. (continued)

Total liabilities as per Statement of financial Position	**797 750 840**

The municipality operates throughout the Enoch Mgijima Municipality in 5 towns in the Eastern Cape,i.e., Komani, Tarkastad, Whittlesea, Molteno and Hofmeyr. Segments were not organised on the basis of differences in geographical areas of operation and the cost to develop such information would be excessive.